

THE ASEAN
Airline

ANNUAL REPORT
YEAR 2014



FINANCIAL STATEMENTS

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STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of AirAsia Berhad ("the Company" or "AirAsia") is committed to ensure good corporate governance are applied throughout the Group. Save as disclosed otherwise, the Board considers that it has complied throughout the year under review with the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("the Code"), Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("MMLR") and Corporate Governance Guide: Towards Boardroom Excellence ("CG Guide"). The following sections explain how the Company applies the principles and supporting principles of the Code, MMLR and CG Guide.

A. DIRECTORS

Roles and Responsibilities of the Board

The Board retains full and effective control over the affairs of the Company and the Group, to formulate policies and strategy, to actively oversee and monitor management's performance and has assumed the following to ensure the effectiveness of the Board and to discharge its fiduciary and leadership functions:

- Reviewing and adopting strategic corporate plans and programmes for the Company;
- Approving the Company's annual budget, including major capital commitments and carries out periodic review of the achievements against business targets;
- Approving new ventures;
- Approving material acquisitions and disposals of undertakings and properties;
- Identifying principal risks and to ensure implementation of appropriate internal control system and mitigation measures to manage these risks;
- Overseeing and evaluating the conduct of the Company's business;
- Monitoring and if necessary approving changes to the management and control structure within the Company and its subsidiaries, including key policies, delegated authority limits;
- Reviewing succession planning;
- Developing and implementing of an investor relations program;
- Reviewing adequacy and integrity of the Company's management information and system of internal controls; and
- Any other matters which are required to be approved by the Board pursuant to the applicable rules, laws and regulations.

The Board Charter of the Company can be downloaded from the Company's website.

Board Balance and Meetings

The Board consists of eight (8) Members, the details are given on pages 80 to 95 of the Corporate Book as follows:-

- One (1) of the Board Member is the Non-Independent Executive Chairman;
- One (1) is the Non-Independent Executive Director and Group Chief Executive Officer;
- One (1) is the Executive Director and Chief Executive Officer;
- One (1) is the Non-Independent Non-Executive Director;
- One (1) is the Senior Independent Non-Executive Director; and
- Three (3) are the Independent Non-Executive Directors.

Four (4) of the Non-Executive Directors fulfill the criteria of independence as defined in the MMLR. The high proportion of Independent Non-Executive Directors (fifty percent) provides for effective checks and balances in the functioning of the Board and reflects AirAsia's commitment to uphold excellent corporate governance.

STATEMENT ON CORPORATE GOVERNANCE

The Board has appointed Dato' Fam Lee Ee, the Senior Independent Non-Executive Director as the Chairman of the Nomination and Remuneration Committee ("NRC") to whom all concerns of shareholders and other stakeholders may be conveyed.

Dato' Fam Lee Ee has also served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and he was approved by the shareholders of the Company during the 21st Annual General Meeting held on 4 June 2014 to continue serving as an Independent Non-Executive Director of the Company. He was re-designated as a Senior Independent Non-Executive Director of the Company on 20 August 2014. The Board has recommended him to continue to act as a Senior Independent Non-Executive Director based on the following justifications:

- (a) He has fulfilled the criteria under the definition of Independent Director as stated in the MMLR, and thus, he would be able to function as a check and balance, bring an element of objectivity to the Board;
- (b) He has vast experience in a diverse range of businesses and legal matters and therefore would be able to provide a constructive opinion; he exercises independent judgment and has the ability to act in the best interest of the Company;
- (c) He has devoted sufficient time and attention to his professional obligations for informed and balanced decision making;
- (d) He has continued to exercise his independence and due care during his tenure as an Independent Non-Executive Director of the Company and carried out his professional duties in the best interest of the Company and shareholders; and
- (e) He has shown great integrity of independence and had not entered into any related party transaction with the Company.

The Board had appointed Mr. Amit Bhatia as an Independent Non-Executive Director of the Company on 9 June 2014. Subsequent to the resignation of Dato' Mohamed Khadar bin Merican and Datuk Mohd Omar bin Mustapha on 20 August 2014, Mr. Uthaya Kumar A/L KVivekananda was appointed as an Independent Non-Executive Director of the Company on the even date.

The Company observes the requirements of the Code to have majority independent directors in the event the Chairman is not an independent Director of the Company. The NRC had deliberated on the matter and viewed that the Company would need more time to comply with this recommendation as the Board's size is small at the moment.

The roles of the Chairman, Group Chief Executive Officer ("GCEO") and the Chief Executive Officer ("CEO") are separate with a clear division of responsibilities between them. This segregation of duties ensures an appropriate balance of role, responsibilities and accountability at the Board level, such that no one individual has unfettered powers of decision.

The size, balance and composition of the Board support the Board's role, which is to determine the long term direction and strategy of the Group, create value for shareholders, monitor the achievement of business objectives, ensure that good corporate governance is practised and to ensure that the Group meets its other responsibilities to its shareholders, other stakeholders and guests.

The Non-Executive Directors are persons of high calibre and integrity. They collectively possess rich experience primarily in finance and private sector enterprises and bring wide and varied commercial experience to the Board and the Board Committees deliberations. The Non-Executive Directors devote sufficient time and attention as necessary in order to perform their duties. Other professional commitments of the Non-Executive Directors are provided in their biographies on pages 80 to 95 of the Corporate Book. The Board requires that all Independent Directors are independent in character and judgement; who do not participate in the day-to-day management of the Company and do not involve themselves in the business transactions or relationships with the Group, in order not to compromise their independence.

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining its competitive advantage. Our diverse Board includes and makes good use of differences in skills, regional and industry experience, background, race, gender, ethnicity, age and other attributes of Directors. This effort could be evidenced by the appointment of Cik Aireen Omar as the Executive Director and CEO of the Company in July 2012. Besides, the Company maintains a good mix of diversity in the senior management of the Company.

STATEMENT ON CORPORATE GOVERNANCE

The Board, through the NRC, will take steps to ensure that women candidates are sought as part of its recruitment exercise. Selection of women candidates to join the Board will be, in part, dependent on the pool of women candidates with the necessary skills, knowledge and experience. The ultimate decision will be based on merit and contributions the candidate can bring to the Board.

The NRC also reviews the composition of the Board and the Board's committees annually. During the year under review, the Board had conducted the assessments on the performance of the Board and Board committees as well as the performance of the individual Board and Committee members. During the financial year, the NRC had also reviewed and assessed the independence of the Independent Directors of the Company.

Board meetings for each financial year are scheduled well ahead before the end of the preceding financial year so that the Directors can plan accordingly and fit the year's Board meetings into their respective schedules.

The Board holds regular meetings of no less than five (5) times a year. Special Board meetings may be convened as and when necessary to consider urgent proposals or matters that require the Board's expeditious review or consideration.

The Board maintains a formal schedule of matters specifically reserved for the Board's decision to ensure that the direction and control of the Company is firmly in its hands.

During the financial year ended 31 December 2014, the Board held a total of six (6) meetings and the details of Directors' attendances are as set out below:

Name:	No. of Meetings Attended
Datuk Kamarudin bin Meranun	6
Tan Sri Dr. Anthony Francis Fernandes	5
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	6
Dato' Fam Lee Ee	6
Dato' Mohamed Khadar bin Merican	5 <small>Note 1</small>
Datuk Mohd Omar bin Mustapha	4 <small>Note 1</small>
Aireen Omar	6
Robert Aaron Milton	6
Amit Bhatia	3 <small>Note 2</small>
Uthaya Kumar A/L K Vivekananda	1 <small>Note 3</small>

Note 1: Dato' Mohamed Khadar bin Merican and Datuk Mohd Omar bin Mustapha resigned on 20 August 2014.

Note 2: Mr. Amit Bhatia was appointed on 9 June 2014.

Note 3: Mr. Uthaya Kumar A/L K Vivekananda was appointed on 20 August 2014.

STATEMENT ON CORPORATE GOVERNANCE

Supply of Information

Prior to the Board Meetings, all Directors will receive the agenda and a set of Board meeting papers containing information for deliberation at the Board Meetings. This is to accord sufficient time for the Directors to review the Board papers and seek clarifications that they may require from the Management or the Company Secretary. Urgent papers may be presented and tabled at the Board meetings under supplemental agenda. The Board meeting papers are presented in a concise and comprehensive format. Board meeting papers tabled to the Directors include progress reports on the Group's business operations; detailed information on business propositions; quarterly and annual financial statements, corporate proposals including where relevant, supporting documents such as risk evaluations and professional advice from solicitors or advisers and report on the directors' dealings in securities, if any. The Company Secretary ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register at the registered office of the Company.

The Directors will declare immediately to the Board should they be interested in any transaction to be entered into directly or indirectly by the Company. An interested Director will abstain from all deliberations and voting on the said transaction. In the event that shareholders' approval is required for a corporate proposal, the interested Director, if he is a shareholder as well, shall abstain from voting on the resolution pertaining to the corporate proposal and ensure persons connected to them similarly abstain from voting on the resolution.

Any Director who wishes to seek independent professional advice in the furtherance of his duties may do so at the Group's expense. Directors have access to all information and records of the Group and also the advice and services of the Company Secretary, who also serve in that capacity in the various Board Committees. The Company Secretary also serves notice to Directors on the closed periods for trading in AirAsia's shares, in accordance with Chapter 14 on Dealings in Listed Securities of the MMLR.

Code of Ethics

The Directors observe the Company's Code of Ethics established by the Companies Commission of Malaysia in furtherance of their duties.

Appointments to the Board

The Group has implemented procedures for the nomination and election of Directors via the NRC. The NRC will assess the nominee(s) for directorship and Board Committees membership and thereupon submitting their recommendation to the Board for decision.

The Company Secretary will ensure that all appointments are properly made, that all information necessary is obtained, as well as all legal and regulatory obligations are met.

Directors' Training

All the Directors have attended the Mandatory Accreditation Programme for Directors of Public Listed Companies ("MAP").

Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which they operate. Directors, especially newly appointed ones, are encouraged to visit the Company's operating centre to have an insight on the Company's operations which could assist the Directors to make effective decisions.

For the year under review, the Directors had continually kept abreast with the development in the market place with the aim of enhancing their skills, knowledge and experience.

STATEMENT ON CORPORATE GOVERNANCE

Among the training programmes, seminars and briefings attended by Directors during the year were as follows:

Name	Programmes
Datuk Kamarudin Bin Meranun	<ul style="list-style-type: none">CEO CIMB Asia Pacific Conference, Kuala Lumpur
Tan Sri Dr. Anthony Francis Fernandes	<ul style="list-style-type: none">JANE Summit, JapanCEO CIMB Asia Pacific Conference, Kuala LumpurCLSA Investors Forum, Hong KongNordic Business Forum, NorwayCredit Suisse Emerging Markets, Beijing
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	<ul style="list-style-type: none">Annual Asean Corporate Governance Summit 2014Risk & Internal Control – Workshops for Audit Committee Members
Dato' Fam Lee Ee	<ul style="list-style-type: none">Risk Management and internal control – workshop for audit committee members organised by Bursa Malaysia and CG Board Asia PacificMalaysia-China High Level Economic Forum at Beijing, PRC organised by Ministry of Commerce, PRC and MITI Malaysia“Aviation Outlook in 2014” seminar organised by Frost & Sullivan in Kuala LumpurPerformance and Forecast of London Development Market update in Kuala LumpurChina-Malaysia Qinzhou Industrial park Forum at Nanning, Guangxi, PRC“Market outlook” luncheon talk organised by AmBank at Kuala Lumpur
Aireen Omar	<ul style="list-style-type: none">Crisis Communication TrainingASEAN Tourism ConferenceLSE Asia ForumPCORE Forum – ‘Reaching ForThe Sky’Corporate Governance SymposiumGraduan Aspire ProgramCIMB 4th Annual Asia Pacific Conference & Invest MalaysiaBusiness Leaders Dialogue with YAB Dato' Sri Mohd Najib Tun Abdul RazakAAB – Advocacy Sessions on Corporate Disclosure for Directors of Listed IssuersCLSA Investor's Forum, Hong KongASEAN Corporate Governance Summit 2014GE Women's Network Singapore Leadership Summit 2014, SingaporePATA Hub City Forum (“HCF”)Airline Economics Growth Frontiers, Hong Kong15th Annual Asia Pacific Air Finance Conference, Hong KongLSE Insights –Talk on “The Coming World Crisis” by Professor Michael CoxKhazanah Global Lectures 2014
Amit Bhatia	<ul style="list-style-type: none">MAPMikhail Khodorkovsky on Russia's futureCarl Bildt's vision for internet governance
Uthaya Kumar A/L K Vivekananda	<ul style="list-style-type: none">MAP

STATEMENT ON CORPORATE GOVERNANCE

All Directors were also updated by the Company Secretary on changes to the MMLR and relevant guidelines on the regulatory and statutory requirements. The external auditors also briefed Audit Committee ("AC") members on the significant changes in financial reporting standards as well as tax matters, if any.

Apart from the above, during the financial year under review, Mr. Robert Aaron Milton did not attend other training programmes as he had not identified any training courses that were of particular benefit to his role as Director of AirAsia.

Re-election of Directors

The Articles of Association of the Company provide that at least one-third of the Directors are subject to retirement by rotation at each Annual General Meeting ("AGM"). All Directors are also required to retire once in every three years, and if eligible to offer themselves for re-election. The Articles of Association also provide that a Director who is appointed by the Board in the course of the year shall be subjected to re-election at the next AGM to be held following his appointment. Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Board Committees

To assist the Board in discharging its duties, various Board Committees have been established. The functions and terms of reference are clearly defined and, where applicable, comply with the recommendations of the Code.

The AC comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

The Chairman of the AC would report to the Directors at Board meetings, of any salient matters raised at the AC meetings and which require the Board's notation, approval or decision.

The Board has delegated the responsibility of reviewing the effectiveness of risk management to the AC. The AC also reviews the risk management framework, processes and reports.

Further information on the composition, summary terms of reference and other information relating to the AC are set out on pages 11 to 16 of this Annual Report.

The NRC comprises three Non-Executive Directors, namely:

Chairman: Dato' Fam Lee Ee
(Senior Independent Non-Executive Director)

Members: Dato' Abdul Aziz @ Abdul Aziz bin Abu Bakar
(Non-Independent Non-Executive Director)
Mr. Uthaya Kumar A/L K Vivekananda
(Independent Non-Executive Director)

The primary responsibility of the NRC in accordance with its terms of reference is to assist the Board with the following functions:

STATEMENT ON CORPORATE GOVERNANCE

For Nomination:

- To assess and recommend new nominees for appointment to the Board and Board Committees (the ultimate decision as to whom shall be nominated should be the responsibility of the full Board after considering the recommendations of such a Committee).
- To review the required mix of skills and experience and other qualities, including core competencies which the Non-Executive Directors should bring to the Board.
- To assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director.
- To review the Board's succession planning.
- To review and determine the appropriate training programmes for the Board as a whole.

The Board, through the NRC, had carried out a review on the composition of the Board and is satisfied that the size and composition of the Board is adequate with the appropriate mix of knowledge, skills, attributes and core competencies.

For Remuneration:

- To review and to consider the remuneration of Executive Directors in accordance with their skills, experience and responsibilities and make recommendations to the Board on the remuneration packages of each Executive Director.
- To provide an objective and independent assessment of the benefits granted to the Executive Directors.
- To conduct continued assessment of individual Executive Directors to ensure that remuneration is directly related to corporate and individual performance.
- Annual review of the overall remuneration policy for Directors for recommendation to the Board.

The Company maintains transparent procedures in determining the remuneration policy for Directors. Executive Directors play no part in decisions on their own remuneration. The determination of remuneration packages of non-executive Directors is a matter for the Board as a whole. All the individual Directors concerned abstained from discussing their own remuneration.

The Safety Review Board ("SRB") was established in August 2005 with the purpose of providing Board level oversight and input to the management of Safety within AirAsia's operations. The Board appoints the Chairman of the Committee and a meeting is held each quarter to review progress and trends in relation to Flight Safety & Airworthiness, Incident Reports, Investigations and recommendations and Flight Data Analysis and Recommendations. The Committee comprises two Non-Executive Directors and one Executive Director, namely:

Chairman: Mr. Robert Aaron Milton
(Independent Non-Executive Director)

Member: Cik Aireen Omar
(Executive Director and CEO)
Mr. Uthaya Kumar A/L K Vivekananda
(Independent Non-Executive Director)

Other members include relevant operations personnel, safety and security specialists from AirAsia and from our affiliates in Thailand, Indonesia and Philippines. A report is provided to the Board each quarter.

During the financial year, the Employee Share Option Scheme ("ESOS") Committee comprises Tan Sri Dr. Anthony Francis Fernandes, Datuk Kamarudin Bin Meranun and Mr. Andrew Robert Littledale, the former Chief Financial Officer of the Company. The ESOS Committee was established to administer the available ESOS of the Group, if any, in accordance with the objectives and regulations thereof and to determine the participation eligibility, option offers and share allocations and to attend to such other matters as may be required. The ESOS Committee had ceased on 6 June 2014.

STATEMENT ON CORPORATE GOVERNANCE

During the year under review, the Company has established an Investment Committee to review, evaluate, recommend and monitor any investment(s) made or to be made by the Company and/or its subsidiaries. The Committee comprises two Independent Non-Executive Directors and one Executive Director, namely:

Chairman: Mr. Amit Bhatia
(Independent Non-Executive Director)

Members: Tan Sri Dr. Anthony Francis Fernandes
(Non-Independent Executive Director and GCEO)
Mr. Uthaya Kumar A/L K Vivekananda
(Independent Non-Executive Director)

B. DIRECTORS REMUNERATION

The remuneration package comprises the following elements:

1. Fee

The fees payable to each of the Non-Executive Directors for their services on the Board are based on the basic Board fee and their respective additional responsibilities on the Board's committees during the year recommended by the Board for final approval by shareholders of the Company at the AGM.

2. Basic salary

The basic salary for each Executive Director is recommended by the NRC and approved by the Board, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar positions in other comparable companies internationally. Salaries are reviewed annually.

3. Bonus scheme

The Group operates a bonus scheme for all employees, including the Executive Directors. The criteria for the scheme are dependent on various performance measures of the Group, together with an assessment of each individual's performance during the period. The bonus for the Executive Directors is recommended by the NRC and approved by the Board.

4. Benefits-in-kind

Other customary benefits (such as private medical care, travel coupons, etc.) are made available as appropriate.

5. Service contract

The Executive Chairman, GCEO and CEO each have a three-year service contract with AirAsia.

6. Directors' share options

There was no movement in Directors' share options up to the expiry of the ESOS on 6 June 2014.

Details of the Directors' remuneration are set out in Note 2 of the Audited Financial Statements on pages 57 to 58 of this Annual Report. Whilst the Code has prescribed for individual disclosure packages, the Board is of the view that the transparency and accountability aspects of Corporate Governance in respect of the Directors' remuneration are appropriately and adequately addressed by the band disclosure in the said Note 2.

C. SHAREHOLDERS

Investor Relations

The Company is committed to maintaining good communications with shareholders and investors. Communication is facilitated by a number of formal channels used to inform shareholders about the performance of the Group. These include the Annual Report and Financial Statements and announcements made through Bursa Malaysia, as well as through the AGM.

Members of senior management are directly involved in investor relations through periodic roadshows and investor briefings in the country and abroad with financial analysts, institutional shareholders and fund managers.

Reports, announcements and presentations given at appropriate intervals to representatives of the investment community are also available for download at the Group's website at www.airasia.com. Shareholders may obtain the Company's announcements on its website or via the Bursa Malaysia's website at "<http://www.bursamalaysia.com>".

Any queries or concerns regarding the Group may be directed to the Investor Relations Department at investorrelations@airasia.com.

AGM

Given the size and geographical diversity of our shareholders' base, the AGM is another important forum for shareholders interaction. All shareholders are notified of the meeting and are provided with a copy of the Group's Annual Report at least 21 days before the meeting is held.

At the AGM, the GCEO and the CEO will conduct a brief presentation on the Group's performance for the year and future prospects. The Chairman and all Board Committee chairmen where possible will be present at the AGM to answer shareholders' questions and hear their views during the meeting. Shareholders are encouraged to participate in the proceedings and engage with dialogue with the Board and Senior Management. The extract of the minutes of AGM for the year 2014 is available on the Company's website.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to ensure that the quarterly reports, annual audited financial statements as well as the annual review of operations in the Annual Report reflect full, fair and accurate recording and reporting of financial and business information in accordance with the MMLR of Bursa Malaysia.

Timely release of announcements on quarterly financial reports reflects the Board's commitment to provide transparent and up-to-date disclosures of the performance of the Company and its group of subsidiaries.

The Directors are also required by the Companies Act, 1965 to prepare the Group's annual audited financial statements with all material disclosures such that they are complete, accurate and in conformance with applicable accounting standards and rules and regulations. The AC assists the Board in overseeing the financial reporting process.

Audit Committee and Internal Control

The Board's governance policies include a process for the Board, through the AC to review regularly the effectiveness of the system of internal control as required by the Code. A report on the AC and its summary terms of reference is presented on pages 11 to 16 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

The Board has overall responsibility for the Group's system of internal control, which comprises a process for identifying, evaluating and managing the risks faced by the Group and for regularly reviewing its effectiveness in accordance with the Code.

The Board confirms that this process was in place throughout the year under review and up to the date of approval of these financial statements. The primary aim is to operate a system which is appropriate to the business and which can, over time, increase shareholders' value whilst safeguarding the Group's assets. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Statement on Risk Management and Internal Control is set out in pages 17 to 19 of this Annual Report.

Relationship with the External Auditors

The Board, through the AC, has maintained appropriate, formal and transparent relationship with the external auditors. The AC meets the external auditors without the presence of management, whenever necessary, and at least twice a year. Meetings with the external auditors are held to further discuss the Group's audit plans, audit findings, financial statements as well as to seek their professional advice on other related matters. From time to time, the external auditors inform and update the AC on matters that may require their attention.

E. OTHERS

Corporate Disclosure Policy and Procedures

AirAsia observed the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia. A Corporate Disclosure Policy and Procedures was approved by the Board, which provides accurate, balanced, clear, timely and complete disclosure of corporate information to enable informed and orderly market decisions by investors. In this respect, the Company follows the disclosure guidelines and regulations of Bursa Malaysia's CG Guide.

Material information will in all cases be disseminated via Bursa Malaysia and other means.

Code of Conduct

The Company had formalised ethical standards through a Code of Conduct and will ensure its compliance. The Code of Conduct is published on the Company's website.

Whistleblowing Programme

In order to improve the overall organisational effectiveness and to uphold the integrity of the Company in the eyes of the public, the Company has updated the whistleblowing program during the year which acts as a formal communication channel where all stakeholders can communicate their concerns in cases where the Company's business conduct is deemed to be contrary to the Company's common values.

All concerns should be addressed to the Group Head – Internal Audit who will then assess all concerns reported and recommend the appropriate action, and subsequently:

- Compile all reports received and submit to the Chairman of the AC; and
- Report to Management on behalf of the AC the results of the investigation for further action.

All details pertaining to the name and position of the whistleblower will be kept strictly confidential throughout the investigation proceedings.

This statement is made in accordance with a resolution of the Board of Directors of AirAsia dated 22 April 2015.

AUDIT COMMITTEE REPORT

SUMMARY OF TERMS OF REFERENCE OF THE AUDIT COMMITTEE

A. COMPOSITION

The Committee shall comprise at least three Non-Executive Directors appointed by the Board of Directors. All the members of the Committee must be Non-Executive Directors, with a majority of them being Independent Directors. All members of the Committee shall be financially literate and at least one member shall:

- (i) be a member of the Malaysian Institute of Accountants; or
- (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years of working experience and:-
 - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (iii) fulfills other requirements as prescribed or approved by the Exchange.

B. ROLES AND RESPONSIBILITY

The primary roles and responsibilities of the Committee with regards to the AirAsia Group's Internal Audit department, External Auditors, Financial Reporting, Related Party Transactions, Risk Management, Annual Reporting and Investigations are as follows:

Internal Audit

- Mandate the Internal Audit department to report directly to the Committee;
- Review the adequacy of the scope, functions, competency and resources of the Internal Audit department, and that it has the necessary independence and authority to carry out its work, which should be performed professionally and with impartiality and proficiency;
- Review Internal Audit Reports and ensure that appropriate and prompt remedial action is taken by Management on lapses in controls or procedures that are identified by Internal Audit;
- Review the Internal Audit Reports relating to the AirAsia Group's affiliates;
- Review the appraisal or assessment of the performance of Members of the Internal Audit function;
- Approve the appointment or termination of the Group Head – Internal Audit and Senior Staff Members of Internal Audit;
- Take cognisance of resignations of Internal Audit staff and the reasons for resigning;
- Review the results of ad-hoc investigations performed by internal auditors and the actions taken relating to those investigations;
- Review the results of internal assessment performed on the internal audit function;
- Review the results of the external assessment performed on the internal audit function;
- Review the adequacy of the Internal Audit Charter; and
- Approve the Internal Audit Charter, which defines the purpose, authority, scope and responsibility of the Internal Audit function within the Group.

External Auditor

- To consider the appointment of the External Auditor, Audit fees, resignation or dismissal of the External Auditor;
- To submit a copy of written representation or submission of External Auditors' resignation to the Exchange;
- Monitor the effectiveness of the External Auditors' performance and their independence and objectivity;
- To discuss with the External Auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- Review major findings raised by the External Auditors and management's responses, including the status of the previous audit recommendations;
- To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditor may wish to discuss (in the absence of management where necessary);

AUDIT COMMITTEE REPORT

- To provide a line of communication between the Board and the External Auditors;
- Review the extent of assistance and co-operation extended by the Group's employees to the External Auditors;
- The Committee shall review and monitor the provision of non-audit services by the External Auditors and to ensure that they comply with the external audit independence policy; and
- The Committee is responsible for requiring for Group's external auditors to submit on a periodic basis to the Committee a formal written statement delineating all relationships between the External Auditors and the Group, consistent with International Standard on Auditing 260 modified as appropriate based on the Malaysian guidelines for auditors independence, and to obtain confirmation from them that they are, and have been, independent throughout the conduct of the audit engagement.

Financial Reports and Bursa Malaysia Announcements

To review the quarterly and year-end financial statements of the Group and Company, and reports to Bursa Malaysia focusing particularly on:

- any change in accounting policies and practices, and the implementation of such changes;
- significant and unusual events;
- significant adjustments arising from the audit;
- litigation that could affect the results materially;
- the going concern assumption;
- compliance with accounting standards, other legal requirements and regulatory requirements;
- where necessary, make appropriate recommendations to the Board for approval; and
- review and ensure corporate disclosure policies and procedures of the Group (as they pertain to accounting, audit and financial matters) comply with the disclosure requirements as set out in the Bursa Listing Requirements.

Related Party Transactions

- To review any related party transactions and conflict of interest situations and, where appropriate, make recommendations to the Board for approval that such transactions are at arm's length and are in the best interest of the Group or Company; and
- To review the process used to procure the shareholders' mandate for recurrent related party transactions.

Risk Management

- To develop and inculcate a risk awareness culture within the Group;
- To review Risk Management Strategies, frameworks and policies of the Group to ensure key risks are systematically identified, monitored and controlled;
- To ensure resources and systems are in place for the risk management function; and
- To oversee specific risk management concerns raised by business units.

Annual Report

- Report the Audit Committee's activities for the financial year.
- The Committee must prepare for the Board's consideration and approval, a draft of the Audit Committee Report to be set out in the Group's annual report. This draft report must disclose amongst others:
 - o The Committee's composition, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
 - o The Committee's terms of reference;
 - o The number of Committee meetings held during the financial year, details of attendance of each Committee member and the details of relevant training attended by each Committee member;
 - o A summary of Committee's activities in discharging its functions and duties for the financial year; and
 - o A summary of the activities of the internal audit function or activity.
- To review the Statement on Risk Management and Internal Control and the Statement on Corporate Governance prior to their inclusion in the Company's Annual Report.

Investigations

- To consider major findings of internal investigations and management's response; and
- To review the Company's procedures for detecting fraud and whistle blowing.

Internal Control

- To evaluate the overall adequacy and effectiveness of the system of internal controls including information technology controls, the Group's financial, audit and accounting organisations and personnel and the Group's policies and compliance procedures with respect to business practices, through a review of the results of work performed by internal and external auditors and discussions with key Senior Management; and
- To review the employee code of business practice, vendor code of business practice, the whistle-blowing policy and the outcome of any defalcation cases investigated.

Review of the Committee

- To conduct a self-assessment exercise to evaluate the Committee's overall effectiveness in discharging its responsibilities and report the results of the self-assessment to the Board.

Annual Review of the Terms of Reference of the Committee

- Review and reassess the adequacy of the terms of reference of the Committee on a periodic basis, and where necessary obtain the assistance of management, the Group's external auditors and external legal counsel, and recommend proposed changes to the Board for approval.

Other Matters

To consider any other matters as directed by the Board.

C. AUTHORITY AND POWERS OF THE AUDIT COMMITTEE

In carrying out its duties, the Audit Committee shall, at the cost of the Company:

- have authority to investigate any matter within its Terms of Reference;
- have full, free and unrestricted access to the Group's and Company's records, properties, personnel and other resources;
- have full and unrestricted access to any information regarding the Group and Company;
- have direct communication channels with the External Auditors and person(s) carrying out the internal audit function;
- be able to obtain independent professional or other advice; and
- convene meetings with the External Auditors, Internal Auditors or any other professional advisors, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR, the Committee is authorised to promptly report such matters to the Exchange.

AUDIT COMMITTEE REPORT

D. MEETINGS

- a) The Committee shall meet at least four (4) times a year and at such other times as the Chairman shall decide;
- b) The quorum for an Audit Committee Meeting shall be at least two (2) members. The majority present must be Independent Directors;
- c) The External Auditor has the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so;
- d) The Group Chief Executive Officer / Chief Executive Officer has to attend the meetings to assist in the deliberations and resolutions of matters raised;
- e) The Group Chief Financial Officer, Chief Financial Officer and the Group Head of Internal Audit of the Group and the Company shall attend the meetings to assist in deliberations and resolution of matters raised. However, at least twice a year, the Committee shall meet with the External Auditors without the presence of management;
- f) The Company Secretary shall act as Secretary of the Committee;
- g) The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee;
- h) The Committee at each Board Meeting will report a summary of significant matters discussed at the Committee meetings; and
- i) The Committee may request other Board members and any other officer or employee to attend a meeting of the Committee to assist in the deliberation and resolution of matter raised.

The Terms of Reference summarised above were revised and approved by the Board of Directors of AirAsia on 19 November 2014.

ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

A summary of the activities performed by the Committee during the financial year ended 31 December 2014 ("Financial Year") is set out below.

Composition of the Audit Committee and Attendance of meetings

A total of eight (8) meetings were held for the Financial Year. The members of the Committee together with the details of their attendance at the Committee meetings held during the year were as follows:

Name	Directorship	No. of Meetings attended
Uthaya Kumar A/L K Vivekananda <i>(Chairman of the Committee)</i>	Independent Non-Executive Director	3 <small>Note 1</small>
Dato' Mohamed Khadar bin Merican <i>(Former Chairman of the Committee)</i>	Independent Non-Executive Director	5 <small>Note 2</small>
Dato' Fam Lee Ee	Senior Independent Non-Executive Director	8
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	Non-Independent Non-Executive Director	8

Note 1: Mr. Uthaya Kumar A/L K Vivekananda was appointed as the Chairman of the Committee upon the resignation of Dato' Mohamed Khadar bin Merican as a Director of the Company on 20 August 2014.

Note 2: Dato' Mohamed Khadar bin Merican ceased as the Chairman of the Committee on 20 August 2014.

The Committee meets on a scheduled basis at least once in every two months. The GCEO, CEO, the Group Chief Financial Officer, the Chief Financial Officer and the Group Head of Internal Audit are invited to attend the meetings to assist in the deliberations as and when necessary. The External Auditors are also invited to discuss their Audit Plan, Audit Report, Management Letter, Internal Control Report and other reports as and when necessary.

Internal Audit

- Approved the Group's Internal Audit Plan, scope and budget for the financial year.
- Reviewed the results of Internal Audit Reports and monitor the implementation of management action plans in addressing and resolving issues.
- Reviewed the adequacy and competencies of Internal Audit function to execute the Annual Audit Plan.

Risk Management

- Reviewed and evaluated the Risk Management Framework and Policy.
- Reviewed the key risk profile for the Company.
- Reviewed the Statement on Risk Management and Internal Control and Audit Committee Report for inclusion in the 2014 Annual Report.

External Audit

- The Committee reviewed Messrs PricewaterhouseCoopers ("PwC") overall work plan and recommended to the Board their remuneration and Terms of Engagement as External Auditors.
- The Committee considered in detail the results of the audit, PwC's performance and independence and the effectiveness of the overall audit process.
- The Committee recommended PwC's re-appointment as Auditors to the Board and this resolution will be put to shareholders at the AGM.
- Reviewed updates on the introduction of Malaysian Financial Reporting Standards and how they will impact the Company and has monitored progress in meeting the new reporting requirements.
- The Committee was also updated by PwC on changes to the relevant guidelines on the regulatory and statutory requirements.
- Deliberated and reported the results of the annual audit to the Board of Directors.
- Met with the External Auditor without the presence of management to discuss any matters that they may wish to present.

Employee Share Option Scheme

- The Committee verified the allocation options pursuant to the criteria disclosed to the employees of the Group and established pursuant to the Employee Share Option Scheme up to its expiry on 6 June 2014.

Financial Reporting

- Reviewed and deliberated on the Quarterly Financial Announcements and Annual Audited Financial Statements prior to submission to the Board of Directors for consideration and approval.

Related Party Transactions

- Reviewed the related party transactions entered into by AirAsia Berhad Group in conformity to the established procedures in adherence to the MMLR.

AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION

AirAsia Group has a well-established in-house Internal Audit ("IA") to assist the Board to oversee that Management has in place a sound risk management, internal control and governance system. The IA maintains its impartiality, proficiency and due professional care by having its plans and reports directly under the purview of the Committee. IA function is also guided by its Audit Charter that provides for its independence and reflects the roles, responsibilities, accountability and scope of work of the department. The IA reports functionally to Audit Committee and administratively to the GCEO.

The principal responsibility of IA is to undertake regular and systematic reviews of the systems of internal controls, so as to provide reasonable assurance that the systems continue to operate efficiently and effectively. The IA implements risk based auditing in establishing the strategic and annual audit plan, being the main factor in determining the areas or units to be audited.

The audits cover the review of the adequacy of risk management, the strength and effectiveness of the internal controls, compliance to both internal and statutory requirement, governance and management efficiency, amongst others. Areas for improvement and audit recommendations are forwarded to the management for attention and further actions. Management is responsible to ensure that corrective actions are implemented within the required time frame. The audit reports which provide the results of the audit conducted are submitted to the Audit Committee for review. Key control issues and recommendations are highlighted to enable the Committee to execute its oversight function.

The Audit Committee reviews and approves the IA's human resource requirements to ensure that the function is adequately resourced with competent and proficient Internal Auditors. Total operational costs of the Internal Audit department for 2014 was RM1,955,393.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Board remains committed to complying with the Code which "... requires listed companies to maintain a sound risk management framework and internal control system to safeguard shareholders' investment and the Company's assets" and guided by the Bursa Malaysia's MMLR Paragraph 15.26 (b) and Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers. The Board is pleased to issue the following Statement on Risk Management & Internal Control for the financial year ended 31 December 2014.

RESPONSIBILITY

The Group aims to achieve the highest standards of professional conduct and ethics, to raise the bar on accountability and to govern itself in accordance to the relevant regulations and laws. To achieve long term shareholder value through responsible and sustainable growth, the Group has established and maintains an internal control system that incorporates various control mechanisms at different levels throughout the Group. The Board is responsible for reviewing the effectiveness of these control mechanisms. Due to the limitations inherent in any such system, this is designed to manage rather than eliminate risk and to provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may materially affect the achievement of corporate objectives. This process has been in place throughout the year and is regularly reviewed by the Board. Management is responsible for assisting the Board implement policies and procedures on risk and control by identifying and assessing the risks faced, and in the implementation of suitable remedial actions to enhance operational controls and risk management. Indeed, the first level of assurance comes from business operations which perform the day-to-day operational risk through comprehensive system of internal controls. The Board is informed of major issues on internal controls, regulatory compliance and risk taking.

The Board has received assurance from the Group Chief Executive Officer, Chief Executive Officer and Group Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

The Board is of the view that the risk management and internal control system in place for the year under review is sound and adequate to safeguard the shareholders' investment, the interest of customers, regulators and employees and the Group's assets.

INTEGRATING RISK MANAGEMENT WITH INTERNAL CONTROL SYSTEM

The Board continues to rely on the enterprise risk management framework to manage its risks and to form the basis of the internal audit plan. Effective risk management is particularly challenging as the Group operates in a rapidly changing environment. The process of risk management is ongoing where the coverage includes the Group's associated companies. Risk profiling and assessments for all business divisions, joint ventures and associated companies have been performed during the development of the annual audit plan which was presented, deliberated and approved by the AC.

The Board relies significantly on the Group's internal auditors to carry out audits of the various operating units based on the risk-based approved audit plan.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

KEY RISK MANAGEMENT & INTERNAL CONTROL PROCESSES

The key processes that have been established in reviewing the adequacy and effectiveness of the Group's risk management and internal control system are described below:

Risk Management

- The Board has delegated the responsibility of reviewing the effectiveness of risk management to the AC supported by the risk management function;
- A written Risk Management Framework and Policy ("RMF&P") is in place. The RMF&P outlines the Group's underlying approach to risk and risk management, process, structure, tools etc. Subsequent changes to the RMF&P would be reviewed and recommended by the AC to the Board;
- Effectiveness of the risk management system is monitored and evaluated on an on-going basis through continuous monitoring and evaluation on the Group's risk management system; and
- Additionally, the AC reviews and assesses the adequacy of these risk management policies and ensure infrastructure, resources and systems are in place for effective risk management.

Internal Audit

- The Board has extended the responsibilities of the AC to include the assessment of internal controls, through the Internal Audit ("IA") function. The AC, chaired by an independent non-executive director reviews the internal controls system and findings of the internal auditors and external auditors;
- The IA is an independent function that reports directly to the AC. The IA assists the Committee and the Board by performing regular and systematic review of the internal controls, financial and accounting matters, operational policies and procedures, and ensuring that internal controls are adequate to meet the Group's requirements. Audits are carried out on all units and stations, the frequency of which is determined by the level of risks assessed. The selection of audit areas to be audited is based on risk based audit methodology taking into consideration input of the senior management and the Board;
- Management is responsible for ensuring that corrective actions to address control weaknesses are implemented within a defined time frame. The status of implementation is monitored through follow-up audits which are also reported to the AC;
- The conduct of internal audit work is governed by the Internal Audit Charter, which is approved by the AC. The AC also reviews the adequacy of scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work. The IA is also guided by the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors; and
- The AC also reviews and considers matters relating to internal controls as highlighted by the external auditors in the course of their statutory audit of the Group's financial statements.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Board and Operational Committees

- The Board has established an organisational structure with clearly defined lines of responsibilities, authority limits and accountability aligned to business and operations requirements which support the maintenance of a strong internal control environment;
- The Board has established the Board Committees with clearly defined delegation of responsibilities within the definition of terms of reference and organisation structures. These committees include NRC, AC, Investment Committee and SRB which have been set up to assist the Board to perform its oversight functions. The Committees have the authority to examine all matters within their scope and report to the Board with their recommendations; and
- Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Group's core business operations. These committees include the Financial Risk Committee, Quality and On-Time Performance Committee where meetings are held frequently to address emerging issues, concerns and action plans.

Other Key Processes

- Policies and procedures of core business processes are documented in a series of Standard Operating Procedures and implemented throughout the Group. These policies and procedures are subject to regular reviews, updates and continuous improvements to reflect the changing risks and operational needs;
- Heads of Department present their annual budget, including financial and operating targets and capital expenditure plans for the approval of the Chief Executive Officer. Group annual budget is prepared and tabled for Board approval. These budgets and business plans are cascaded throughout the organisation to ensure effective execution and follow through. Actual performance is compared against budget and reviewed by the Board; and
- The Group has implemented a formal performance appraisal system for all levels of employees.

The statement also caters for the state of internal controls in material joint ventures and associated companies. There was no material loss incurred as a result of internal control weaknesses.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the MMLR of Bursa Malaysia:-

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

There were no proceeds raised by the Company from corporate proposals during the financial year ended 31 December 2014.

2. SHARE BUY-BACK

During the financial year under review, the Company had obtained approval at its Extraordinary General Meeting held on 4 June 2014 to purchase up to ten percent (10%) of its issued and paid-up share capital at the point of purchase pursuant to Section 67A of the Companies Act, 1965, Chapter 12 of the MMLR and subject to any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities. The Company did not exercise any share buy-back during the financial year.

3. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year ended 31 December 2014.

4. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Company did not issue any warrants or convertible securities during the financial year ended 31 December 2014. The AirAsia Employee Share Option Scheme ("ESOS") came into effect on 1 September 2004. The details of the ESOS exercised are disclosed in pages 90 to 91 of the financial statements.

5. ESOS

The ESOS is the only share scheme of the Company in existence during the financial year ended 31 December 2014 approved by the shareholders on 7 June 2004. On 28 May 2009, the Company extended the duration of its ESOS which expired on 6 June 2009 for 5 years to 6 June 2014. The information of the ESOS is as follows:

	During the financial year ended 31 December 2014	Since commencement of the ESOS on 7 June 2004
Total number of options or shares granted	-	93,168,000
Total number of options exercised or shares vested	1,911,500	67,943,000
Total options or shares outstanding*	-	-

* The ESOS of the Company has expired on 6 June 2014.

Granted to Executive Directors and Chief Executive	During the financial year ended 31 December 2014	Since commencement of the ESOS on 7 June 2004
Aggregate options or shares granted	-	1,200,000
Aggregate options exercised or shares vested	-	1,200,000
Aggregate options or shares outstanding	-	-

Granted to Executive Directors and senior management	During the financial year ended 31 December 2014	Since commencement of the ESOS on 7 June 2004
Aggregate maximum allocation in percentage	-	50.0%
Actual percentage granted	-	1.29%

There were no options granted to the Non-Executive Directors pursuant to the ESOS since its commencement on 7 June 2004.

6. SANCTIONS AND/OR PENALTIES

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 December 2014.

7. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company by the External Auditors for the financial year ended 31 December 2014 were RM1,230,000 for tax advisory services rendered and audit fees for unconsolidated structured entities.

8. VARIATION IN RESULTS

There were no profit estimations, forecasts or projections made or released by the Company during the financial year ended 31 December 2014.

9. PROFIT GUARANTEE

During the financial year ended 31 December 2014, the Group and the Company did not give any profit guarantee.

10. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts entered into by the Company and its subsidiaries involving directors' and major shareholders' interests still subsisting at the end of the financial year ended 31 December 2014.

11. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the Extraordinary General Meeting ("EGM") held on 4 June 2014, the Company had obtained a shareholders' mandate to allow the Company and/or its subsidiaries to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature.

The breakdown of the aggregate value of the RRPTs entered into by the Group during the financial period from 4 June 2014 to 31 December 2014 is as follows:

ADDITIONAL COMPLIANCE INFORMATION

Transacting Parties	Nature of RRPTs	Class and relationship of the Related Parties	Actual value
<u>Revenue/income</u>			
1. AirAsia X Berhad ("AAX")	<p>Provision of the following range of services by our Company to AAX:</p> <ul style="list-style-type: none"> (a) Commercial <ul style="list-style-type: none"> - Sales and distribution - Sales support - Direct channel - Branding and Creative <ul style="list-style-type: none"> • Protection of brand to ensure proper public perception is built • Manage communication imagery, sponsorships (e.g. sports and youth marketing) and commercial branding • Creative includes graphic designs supporting branding activities - Web team: Manage, plan, build and develop airasia.com website (b) Innovation, Commercial and Technology <ul style="list-style-type: none"> - Involves all services related to information technology ("IT") (c) Treasury <ul style="list-style-type: none"> - Fuel procurement - Fuel hedging (d) Audit and Consulting <ul style="list-style-type: none"> - Credit card fraud unit (e) Cargo (f) Manpower cost (affiliate of companies in China) (g) IT Internal Audits 	<p>Interested Directors and Major Shareholders</p> <p>Tan Sri Dr. Tony Fernandes Datuk Kamarudin Bin Meranun ("Datuk Kamarudin")</p> <p>Interested Major Shareholder</p> <p>Tune Air Sdn. Bhd. ("Tune Air")</p>	RM4,289,000
2. AAX	Provision of the rights by our Company to AAX as a licensee to operate scheduled air services under the trade name and livery of AirAsia	<p>Interested Directors and Major Shareholders</p> <p>Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p> <p>Interested Major Shareholder</p> <p>Tune Air</p>	RM2,595,000
3. Tune Ins Holdings Berhad ("TIH")	Provision of the right to access our Company's customer database by our Company to TIH to conduct telesales marketing on TIH's and/or third party insurance products and the provision of management services by TIH to our Company's travel insurance business	<p>Interested Directors and Major Shareholders</p> <p>Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p> <p>Interested Major Shareholder</p> <p>Tune Air</p>	RM229,000

ADDITIONAL COMPLIANCE INFORMATION

Transacting Parties	Nature of RRPTs	Class and relationship of the Related Parties	Actual value
<u>Revenue/income</u>			
4. Tune Insurance Malaysia Berhad ("TIMB")	Provision of travel insurance to our customers for journeys originated from Malaysia resulting in underwriting commission received by our Company	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes Datuk Kamarudin	RM8,247,000
5. AAX	Provision of charter services to Beirut, Lubnan to be provided by AAX for the Malbatt contingent	Interested Major Shareholder Tune Air	RM8,827,000
6. Thai AirAsia X Co. Ltd ("TAAX")	Provision of the rights by our Company to TAAX as a licensee to operate scheduled air services under the trade name and livery of AirAsia	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes Datuk Kamarudin	USD720,000
7. BIG Duty Free Holdings Ltd ("BIG Duty Free")	Provision of BIG Duty Free as the Company's exclusive partner to plan, manage and operate a duty free business for the Company	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes Datuk Kamarudin	NIL
8. Think BIG Digital Sdn Bhd ("Think BIG")	Revenue from ticket sales and/or other ancillary sales arising from redemption of loyalty points from Think BIG, which operates and manages a loyalty program branded as the BIG Loyalty Program	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes Datuk Kamarudin	RM942,000
<u>Expense</u>			
9. QPR Holdings Limited	Provision of full shirt sponsorship by our Company to Queens Park Rangers Football Club ("QPR") which is contingent upon QPR being promoted into the premier league (GBP2,500,000) and bonuses which is contingent upon QPR winning the Capital One Cup and/or FA Cup (GBP1,450,000)	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes Datuk Kamarudin	GBP1,675,000

ADDITIONAL COMPLIANCE INFORMATION

Transacting Parties	Nature of RRPTs	Class and relationship of the Related Parties	Actual value
<u>Expense</u>			
10. Think BIG	Purchase of loyalty points from Think BIG, which operates and manages a loyalty program branded as the BIG Loyalty Program	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes Datuk Kamarudin	RM1,500,000
		Interested Major Shareholder Tune Air	
11. AAX	Shared service in relation to the respective AAX employees whose services are also provided to our Company	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes Datuk Kamarudin	RM382,000
		Interested Major Shareholder Tune Air	
12. Tune Box Avionics Sdn Bhd	Purchase and maintenance of an inflight entertainment and connectivity solutions	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes Datuk Kamarudin	USD3,812,000

The shareholdings of the interested Directors and interested Major Shareholders in the Company as at 17 April 2015 are as follows:

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
<u>Interested Directors</u>				
Tan Sri Dr. Anthony Francis Fernandes	1,600,000	0.06	*531,212,082	19.09
Datuk Kamarudin Bin Meranun	2,000,000	0.07	*531,212,082	19.09
<u>Interested Major Shareholder</u>				
Tune Air Sdn. Bhd.	531,212,082	19.09	-	-

Note:

* Deemed interested via their interests in Tune Air Sdn. Bhd., being the Major Shareholder of our Company pursuant to Section 6A of the Companies Act, 1965.

Please refer to the note of Section 2.3 of the Circular to shareholders dated 12 May 2014 and 12 May 2015 respectively on the directorships and shareholdings of the interested directors and interested major shareholder in the transacting parties.

DIRECTORS' REPORT

The Directors hereby submit their annual report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of providing air transportation services. The principal activities of the subsidiaries are described in Note 9 to the financial statements. There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	82,836	32,814

DIVIDENDS

The dividends on ordinary shares paid by the Company since the end of the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2013, - a first and final single-tier dividend of 4 sen per ordinary share of RM0.10 each on 2,782,304,080 ordinary shares of RM0.10 each, paid on 3 July 2014	111,292

The Directors now recommend a first and final single-tier dividend in respect of the financial year ended 31 December 2014 of 3 sen per share on 2,782,974,080 ordinary shares of RM0.10 each amounting to RM83,489,222, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

ISSUANCE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM278,106,258 to RM278,297,408 by way of issuance of 1,911,500 ordinary shares of RM0.10 each pursuant to the exercise of the Company's Employee Share Option Scheme ("ESOS") at an exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM1,873,270 is credited to the Share Premium account.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company. There was no other change in the issued and paid-up share capital of the Company during the financial year.

DIRECTORS' REPORT

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Datuk Kamarudin Bin Meranun	
Tan Sri Dr. Anthony Francis Fernandes	
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	
Dato' Fam Lee Ee	
Aireen Omar	
Robert Aaron Milton	(Appointed on 9 June 2014)
Amit Bhatia	(Appointed on 20 August 2014)
Uthaya Kumar A/L K Vivekananda	(Resigned on 20 August 2014)
Dato' Mohamed Khadar Bin Merican	(Resigned on 20 August 2014)
Datuk Mohd Omar Bin Mustapha	(Resigned on 20 August 2014)

DIRECTORS' BENEFITS

During and at the end of the financial year ended 31 December 2014, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to 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 by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 2 and Note 32 to the financial statements.

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares and options over shares in the Company are as follows:

	Number of ordinary shares of RM0.10 each			
	At 1.1.2014	Acquired	(Disposed)	At 31.12.2014
<u>Direct interests in the Company</u>				
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	150,000	-	(55,000)	95,000**
Tan Sri Dr. Anthony Francis Fernandes	1,600,000	-	-	1,600,000***
Datuk Kamarudin Bin Meranun	2,000,000	-	-	2,000,000***
Dato' Fam Lee Ee	50,000	-	(50,000)	-
Robert Aaron Milton	100,000	-	-	100,000****
<u>Indirect interests</u>				
Tan Sri Dr. Anthony Francis Fernandes *	640,608,382	-	(109,396,300)	531,212,082
Datuk Kamarudin Bin Meranun *	640,608,382	-	(109,396,300)	531,212,082

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

- * By virtue of their interests in shares in the substantial shareholder of the Company, Tune Air Sdn. Bhd. ("TASB"), Tan Sri Dr. Anthony Francis Fernandes and Datuk Kamarudin Bin Meranun are deemed to have interests in the Company to the extent of TASB's interests therein, in accordance with Section 6A of the Companies Act, 1965.
- ** Shares held under CIMSEC Nominees (Tempatan) Sdn Bhd.
- *** Shares held under HSBC Nominees (Tempatan) Sdn Bhd.
- **** Shares held under HDM Nominees (Asing) Sdn Bhd.

According to the register of Directors' shareholdings, other than as disclosed above, none of the other Directors in office at the end of the financial year held any interest in shares or debentures of the Company and its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

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, in the opinion of the Directors, will or may affect the ability of the Group or Company to meet their obligations as and when they fall due.

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

- (a) any charge on the assets of the Group and Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and Company which has arisen since the end of the financial year.

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 which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

In the opinion of the Directors:

- (a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and Company for the financial year in which this report is made.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 22 April 2015.



DATUK KAMARUDIN BIN MERANUN
DIRECTOR



AIREEN OMAR
DIRECTOR

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A GENERAL INFORMATION

The principal activity of the Company is that of providing air transportation services. The principal activities of the subsidiaries are described in Note 9 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

The address of the registered office of the Company is as follows:

B-13-15, Level 13,
Menara Prima Tower B,
Jalan PJU1/39, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

The address of the principal place of business of the Company is as follows:

LCC Terminal
Jalan KLIA S3
Southern Support Zone
KL International Airport
64000 Sepang
Selangor Darul Ehsan

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 22 April 2015.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements:

(a) Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note C.

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and Company's financial year beginning on or after 1 January 2014 are as follows:

- Amendments to MFRS 132 'Offsetting Financial Assets and Financial Liabilities'
- Amendments to MFRS 136 'Recoverable Amount Disclosures for Non-Financial Assets'
- Amendments to MFRS 139 'Novation of Derivatives and Continuation of Hedge Accounting'
- Amendments to MFRS 10, MFRS 12 and MFRS 127 'Investment entities'
- IC Interpretation 21 'Levies'

(c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Amendment to MFRS 11 'Joint arrangements' (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 'Business Combination' when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.
- Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item of property, plant and equipment and intangible are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- Amendments to MFRS 10 and MFRS 128 regarding sale or contribution of assets between an investor and its associate or joint venture (effective from 1 January 2016) resolve a current inconsistency between MFRS 10 and MFRS 128. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'. The complete version of MFRS 9 was issued in November 2014.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ('OCI'). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

The Group and the Company are in the process of assessing the full impact of the above standards, amendments to published standards and interpretations on the financial statements of the Group and of the Company in the year of initial application.

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interest in a joint venture is accounted for in the financial statements using the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised. Where an entity loses joint control over a joint venture but retains significant influence, the Group does not re-measure its continued ownership interest at fair value.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

(e) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ('CGUs'), or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note B(s) on borrowing costs).

Where significant parts of an item of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts in the carrying amount of the property, plant and equipment as a replacement when it is probable that future economic benefits associated with the parts will flow to the Group and the cost of the parts can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Significant parts of an item of property, plant and equipment are depreciated separately over their estimated useful lives in accordance with the principle in MFRS 116 'Property, Plant and Equipment'. Depreciation is calculated using the straight-line method to write-off the cost of the assets to their residual values over their estimated useful lives.

The useful lives for this purpose are as follows:

Aircraft	
- engines and airframe excluding service potential	25 years
- service potential of engines and airframe	8 or 13 years
Aircraft spares	10 years
Aircraft fixtures and fittings	Useful life of aircraft or remaining lease term of aircraft, whichever is shorter
Buildings	
- simulator	28.75 years
- hangar	50 years
Motor vehicles	5 years
Office equipment, furniture and fittings	5 years
Office renovation	5 years
Simulator equipment	25 years
Operating plant and ground equipment	5 years
In-flight equipment	5 years
Training equipment	5 years

Service potential of 8 years represents the period over which the expected cost of the first major aircraft engine overhaul is depreciated. Subsequent to the engine overhaul, the actual cost incurred is capitalised and depreciated over the subsequent 8 years.

Service potential of 13 years represents the period over which the expected cost of the first major airframe check is depreciated. Subsequent to the airframe check, the actual cost incurred is capitalised and depreciated over the subsequent 13 years.

Assets not yet in operation are stated at cost and are not depreciated until the assets are ready for their intended use. Useful lives of assets are reviewed and adjusted if appropriate, at the balance sheet date.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

Residual values, where applicable, are reviewed annually against prevailing market rates at the balance sheet date for equivalent aged assets and depreciation rates are adjusted accordingly on a prospective basis. For the current financial year ended 31 December 2014, the estimated residual value for aircraft airframes and engines is 10% of their cost (2013: 10% of their cost).

An element of the cost of an acquired aircraft is attributed on acquisition to its service potential, reflecting the maintenance condition of its engines and airframe. This cost, which can equate to a substantial element of the total aircraft cost, is amortised over the shorter of the period to the next checks or the remaining life of the aircraft.

The cost of subsequent major airframe and engine maintenance checks as well as upgrades to leased assets are capitalised and amortised over the shorter of the period to the next check or the remaining life of the aircraft.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note B(h) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit or loss.

Deposits on aircraft purchase are included as part of the cost of the aircraft and are depreciated from the date that aircraft is ready for its intended use.

(g) Investments in subsidiaries, joint ventures and associates

In the Company's separate financial statements, investments in subsidiaries, joint ventures and associates are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see Note B(h)). On disposal of investments in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or as and when events or circumstances occur indicating that an impairment may exist. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Maintenance and overhaul

Owned aircraft

The accounting for the cost of providing major airframe and certain engine maintenance checks for owned aircraft is described in the accounting policy for property, plant and equipment.

Leased aircraft

Where the Group has a commitment to maintain aircraft held under operating leases, provision is made during the lease term for the rectification obligations contained within the lease agreements. The provisions are based on estimated future costs of major airframe, certain engine maintenance checks and one-off costs incurred at the end of the lease by making appropriate charges to the income statement calculated by reference to the number of hours or cycles operated during the financial year.

(j) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Lessee

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

Property, plant and equipment acquired under finance lease contracts are depreciated over the estimated useful life of the asset, in accordance with the annual rates stated in Note B(f) above. Where there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its useful life.

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the lease period.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases (continued)

Lessor

Operating leases

Assets leased out by the Group under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Lease income (net of any incentives given to lessees) is recognised over the term of the lease on a straight line basis.

(k) Inventories

Inventories which comprise consumables used internally for repairs and maintenance are stated at the lower of cost and net realisable value.

Cost is determined on the weighted average basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business, less all applicable variable selling expenses. In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

(l) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges (see Note B(n)). Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'amounts due from associates, joint ventures and related companies' and 'deposits, cash and bank balances' in the balance sheets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Financial assets (continued)

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(iii) Subsequent measurement – gains and losses

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note B(I)(iv)) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in the income statement, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividends income on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

(iv) Subsequent measurement – Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Financial assets (continued)

(iv) Subsequent measurement – Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Assets classified as available-for-sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

(v) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the income statements.

(m) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note B(l). The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (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 cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 18 to the financial statements. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining 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.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'finance income/(costs)' and 'foreign exchange losses'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss and presented separately after net operating profit.

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory, or in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold, 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 forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'finance income/(costs)' and 'foreign exchange losses'.

(o) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash on hand, bank balances, demand deposits and other short term, highly liquid investments with original maturities of three months or less, less bank overdrafts. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

(r) Share capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity.

(ii) Share issue costs

Incremental external costs directly attributable to the issuance of new shares or options are deducted against share premium account.

(iii) Dividends distribution

Distributions to holders of an equity instrument is debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the period in which the dividends are approved.

(s) Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

GENERAL INFORMATION AND SUMMARY

OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Borrowings and borrowing costs (continued)

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the income statements.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits including unused investment allowance can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the financial year in which the associated services are rendered by the employees of the Group.

(ii) Defined contribution retirement plan

The Group's contributions to the Employees' Provident Fund are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(v) Revenue and other income

Passenger seat sales are in respect of scheduled passenger flight and chartered flight income and are recognised upon the rendering of transportation services net of discounts. The revenue in respect of seats sold for which services have not been rendered is included in current liabilities as sales in advance.

Revenue from aircraft operating leases is recorded on a straight-line basis over the term of the lease.

Fuel and insurance surcharges, administrative fees, baggage fees, freight and ancillary sales are recognised upon the completion of services rendered. Related revenue is recognised upon the completion of services rendered and net of discounts.

Rental income and brand license fees are recognised on an accrual basis.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

The Group participates in a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. Award points are recognised as a cost of sale at the time of issue while revenue from the award points is recognised when the points are redeemed. The amount of revenue is based on the number of points redeemed and the redemption value of each point. Award points expire 36 months after the initial sale.

(w) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities 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, which is the Company's functional and presentation currency.

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Foreign currencies (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses arising from operations are included in arriving at the operating profit. Foreign exchange gains and losses arising from borrowings (after effects of effective hedges) and amounts due from associates and joint ventures are separately disclosed after net operating profit.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is disposed of or sold, such exchange differences that were recorded in equity are recognised in the income statements as part of the gain or loss on disposal.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(y) Contingent liabilities

The Group does not recognise contingent liabilities but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118 'Revenue'.

(z) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Chief Executive Officer that makes strategic decisions.

C CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are explained below.

GENERAL INFORMATION AND SUMMARY

OF SIGNIFICANT ACCOUNTING POLICIES

C CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(i) Estimated useful lives and residual values of aircraft frames and engines

The Group reviews annually the estimated useful lives and residual values of aircraft airframes and engines based on factors such as business plans and strategies, expected level of usage, future technological developments and market prices.

Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives and residual values of aircraft airframes and engines as disclosed in Note B(f), would increase the recorded depreciation charge and decrease the carrying amount of property, plant and equipment.

(ii) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of fares, load factor, fuel price, maintenance costs and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate. However, even where the actual taxable profits in the future are 5 percent lower than the anticipated taxable profits, the deferred tax assets can still be fully utilised.

(iii) Impairment of amounts due from associates

Management reviews the recoverability of the amounts due from associates with reference to any evidence of impairment. This evidence may include observable data indicating that there has been an adverse change in the payment status of the associates and the local economic conditions that correlate with the potential risk of impairment on the transactions. Impairment assessment is performed on the amounts due from associates whenever events or changes in circumstance indicate that the amounts may not be recoverable. This impairment assessment exercise requires significant judgment in estimating the future cash flows generated by the associates, which involved uncertainties and are significantly affected by assumptions used and judgment made regarding estimates of future cash flows in respect of fares, load factor, fuel price, maintenance costs and currency movements.

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	1	5,415,744	5,111,822	5,415,744	5,111,822
Other income	1	178,029	181,279	156,338	137,813
Operating expenses					
- Staff costs	2	(667,277)	(610,905)	(642,222)	(606,765)
- Depreciation of property, plant and equipment	8	(719,497)	(597,258)	(718,202)	(596,827)
- Aircraft fuel expenses		(2,254,237)	(2,212,198)	(2,254,237)	(2,212,198)
- Maintenance and overhaul		(149,411)	(138,622)	(149,411)	(138,622)
- User charges	4	(545,279)	(490,009)	(545,279)	(490,009)
- Aircraft operating lease expenses		(198,280)	(189,354)	(198,280)	(189,354)
- Other operating expenses		(233,760)	(191,831)	(260,909)	(196,596)
Share of results of joint ventures	10	57,266	13,599	-	-
Share of results of associates					
- Existing associates	11	(29,707)	82,695	-	-
- Disposed associate	11	-	(41,032)	-	-
		(29,707)	41,663	-	-
Operating profit		853,591	918,186	803,542	819,264
Finance income	5	121,869	112,320	121,836	112,304
Finance costs	5	(533,967)	(428,406)	(533,905)	(428,347)
Net operating profit		441,493	602,100	391,473	503,221
Foreign exchange losses	5	(609,085)	(353,218)	(609,087)	(353,218)
Foreign exchange gains on amounts due from associates and joint ventures		190,293	34,088	190,293	34,088
Gain on disposal of interest in AirAsia Japan Co Ltd	11	-	78,265	-	-
Profit/(loss) before taxation		22,701	361,235	(27,321)	184,091
Taxation					
- Current taxation	6	(25,638)	(18,910)	(25,638)	(18,910)
- Deferred taxation	6	85,773	19,799	85,773	19,799
		60,135	889	60,135	889
Net profit for the financial year		82,836	362,124	32,814	184,980
Net profit for the financial year attributable to:					
- Equity holders of the Company		82,836	362,124		
- Non-controlling interests		-	-		
		82,836	362,124		
Earnings per share (sen)					
- Basic	7	3.0	13.0		
- Diluted	7	3.0	13.0		

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit for the financial year		82,836	362,124	32,814	184,980
Other comprehensive (loss)/income					
Items that may be subsequently reclassified to profit or loss					
Other investments					
- Net change in fair values	12	(132,396)	265,788	(132,396)	265,788
- Transfer to profit or loss on disposal	12	(42,077)	-	(42,077)	-
Cash flow hedges		(252,939)	178,213	(222,239)	178,213
Foreign currency translation differences		7,963	404	-	-
Other comprehensive (loss)/income for the financial year, net of tax		(419,449)	444,405	(396,712)	444,001
Total comprehensive (loss)/income for the financial year		(336,613)	806,529	(363,898)	628,981
Total comprehensive (loss)/income attributable to:					
- Equity holders of the Company		(336,613)	806,529		
- Non-controlling interests		-	-		
		(336,613)	806,529		

BALANCE SHEETS

AS AT 31 DECEMBER 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	8	12,533,535	11,292,826	12,527,171	11,288,171
Investment in subsidiaries	9	-	-	23,480	23,480
Investment in joint ventures	10	191,620	134,354	81,559	81,559
Investment in associates	11	230,454	260,483	3,760	29
Other investments	12	384,790	571,895	384,790	561,770
Goodwill	13	7,334	7,334	-	-
Deferred tax assets	14	466,968	381,195	466,968	381,195
Receivables and prepayments	15	1,132,504	847,573	1,113,924	847,573
Deposits on aircraft purchase	16	500,321	642,394	500,321	642,394
Amounts due from associates	17	2,301,528	559,190	2,213,755	478,564
Derivative financial instruments	18	381,686	235,665	381,686	235,665
		18,130,740	14,932,909	17,697,414	14,540,400
CURRENT ASSETS					
Inventories	19	18,152	29,520	18,152	29,520
Receivables and prepayments	15	682,909	731,506	638,026	697,236
Derivative financial instruments	18	286,298	3,173	286,298	3,173
Amounts due from subsidiaries	20	-	-	173,953	191,120
Amounts due from joint ventures	21	51,188	33,703	34,432	11,431
Amounts due from associates	17	153,803	738,735	148,907	689,372
Amounts due from related parties	20	3,179	6,113	3,144	6,113
Deposits, cash and bank balances	22	1,337,849	1,380,435	1,319,085	1,306,926
		2,533,378	2,923,185	2,621,997	2,934,891

BALANCE SHEETS
AS AT 31 DECEMBER 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
LESS: CURRENT LIABILITIES					
Trade and other payables	23	773,128	744,998	781,578	660,309
Sales in advance		502,810	661,590	501,962	661,590
Amount due to a subsidiary	24	-	-	-	10,185
Amount due to a joint venture	21	-	-	-	151
Amounts due to associates	17	55,110	467	55,110	467
Amounts due to related parties	24	24,693	15,145	24,693	15,145
Borrowings	25	2,274,928	1,119,436	2,274,928	1,119,436
Derivative financial instruments	18	472,204	29,545	472,204	29,545
Current tax liabilities		9,380	1,074	9,712	1,400
		4,112,253	2,572,255	4,120,187	2,498,228
NET CURRENT (LIABILITIES)/ASSETS		(1,578,875)	350,930	(1,498,190)	436,663
NON-CURRENT LIABILITIES					
Other payables and accruals	23	1,212,044	918,864	1,212,044	918,864
Borrowings	25	10,453,090	9,051,416	10,453,090	9,051,416
Derivative financial instruments	18	248,095	251,768	248,095	251,768
Amount due to an associate	17	83,545	60,859	64,965	60,859
		11,996,774	10,282,907	11,978,194	10,282,907
		4,555,091	5,000,932	4,221,030	4,694,156
CAPITAL AND RESERVES					
Share capital	26	278,297	278,106	278,297	278,106
Share premium		1,230,941	1,229,068	1,230,941	1,229,068
Foreign exchange reserve		8,818	855	-	-
Retained earnings	27	2,898,035	2,926,491	2,542,092	2,620,570
Other reserves	27	139,000	566,412	169,700	566,412
Shareholders' equity		4,555,091	5,000,932	4,221,030	4,694,156

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Attributable to equity holders of the Company

	Issued and fully paid ordinary shares of RM0.10 each		Attributable to equity holders of the Company								
	Note	Number '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	Available- for-sale reserve RM'000	Retained earnings RM'000	Total equity RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 January 2014		2,781,064	278,106	1,229,068	855	80,065	486,347	2,926,491	5,000,932	-	5,000,932
Net profit for the financial year		-	-	-	-	-	-	82,836	82,836	-	82,836
Other comprehensive income/(loss)		-	-	-	7,963	(252,939)	(174,473)	-	(419,449)	-	(419,449)
Total comprehensive income/(loss)		-	-	-	7,963	(252,939)	(174,473)	82,836	(336,613)	-	(336,613)
Dividends	28	-	-	-	-	-	-	(111,292)	(111,292)	-	(111,292)
Issuance of ordinary shares											
- pursuant to the Employee Share Option Scheme	26	1,910	191	1,873	-	-	-	-	2,064	-	2,064
At 31 December 2014		2,782,974	278,297	1,230,941	8,818	(172,874)	311,874	2,898,035	4,555,091	-	4,555,091

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Attributable to equity holders of the Company

	Issued and fully paid ordinary shares of RM0.10 each						Attributable to equity holders of the Company					
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	Available-for-sale reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000	Total equity RM'000	
At 1 January 2013	2,779,908	277,991	1,227,935	451	(98,148)	220,559	3,231,581	4,860,369	-	4,860,369		
Net profit for the financial year	-	-	-	-	-	-	362,124	362,124	-	362,124		
Other comprehensive income	-	-	-	404	178,213	265,788	-	444,405	-	444,405		
Total comprehensive income	-	-	-	404	178,213	265,788	362,124	806,529	-	806,529		
Dividends	28	-	-	-	-	-	(667,214)	(667,214)	-	(667,214)		
Issuance of ordinary shares									1,248	-	1,248	
- pursuant to the Employee Share Option Scheme	26	1,156	115	1,133	-	-	-	-	-	-		
At 31 December 2013	2,781,064	278,106	1,229,068	855	80,065	486,347	2,926,491	5,000,932	-	5,000,932		

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Note	Issued and fully paid ordinary shares of RM0.10 each		Non-distributable		Distributable		Total RM'000
	Number of shares '000	Nominal value RM'000	Cash flow hedge reserve RM'000	Available-for-sale reserve RM'000	Share premium RM'000	Retained earnings RM'000	
At 1 January 2014	2,781,064	278,106	80,065	486,347	1,229,068	2,620,570	4,694,156
Net profit for the financial year	-	-	-	-	-	32,814	32,814
Other comprehensive loss	-	-	(222,239)	(174,473)	-	-	(396,712)
Total comprehensive (loss)/income	-	-	(222,239)	(174,473)	-	32,814	(363,898)
Dividends	28	-	-	-	-	(111,292)	(111,292)
Issuance of shares							
- pursuant to the Employee Share Option Scheme	26	1,910	191	-	1,873	-	2,064
At 31 December 2014	2,782,974	278,297	(142,174)	311,874	1,230,941	2,542,092	4,221,030
At 1 January 2013	2,779,908	277,991	(98,148)	220,559	1,227,935	3,102,804	4,731,141
Net profit for the financial year	-	-	-	-	-	184,980	184,980
Other comprehensive income	-	-	178,213	265,788	-	-	444,001
Total comprehensive income	-	-	178,213	265,788	-	184,980	628,981
Dividends	28	-	-	-	-	(667,214)	(667,214)
Issuance of shares							
- pursuant to the Employee Share Option Scheme	26	1,156	115	-	1,133	-	1,248
At 31 December 2013	2,781,064	278,106	80,065	486,347	1,229,068	2,620,570	4,694,156

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	22,701	361,235	(27,321)	184,091
Adjustments:				
Property, plant and equipment				
- Depreciation	719,497	597,258	718,202	596,827
- Loss/(gain) on disposals	4,690	(3,036)	4,690	(3,036)
Gain on disposal of other investments	(42,077)	-	(42,077)	-
Gain on disposal of interest in AirAsia Japan Co Ltd	-	(78,265)	-	-
Impairment on other investments	10,125	2,685	-	-
Impairment of trade and other receivables	30,651	18,864	24,853	16,382
Impairment of amount due from a subsidiary	-	-	14,984	5,306
Fair value gain on derivative financial instruments	(212,398)	(287,266)	(212,398)	(287,266)
Share of results of joint ventures	(57,266)	(13,599)	-	-
Share of results of associates	29,707	(41,663)	-	-
Net unrealised foreign exchange loss	639,614	517,669	640,586	517,669
Dividend income	(4,697)	-	(4,697)	-
Interest expense	533,967	428,406	533,905	428,347
Interest income	(121,869)	(112,320)	(121,836)	(112,304)
	1,552,645	1,389,968	1,528,891	1,346,016
Changes in working capital:				
Inventories	11,368	(5,795)	11,368	(5,795)
Receivables and prepayments	(258,466)	(149,105)	(208,156)	(145,833)
Trade and other payables	101,432	464,809	187,931	420,750
Related party balances	(725,677)	(369,431)	(813,667)	(355,875)
Cash generated from operations	681,302	1,330,446	706,367	1,259,263
Interest paid	(470,613)	(411,117)	(470,551)	(411,117)
Interest received	106,576	64,208	106,543	64,192
Tax paid	(15,234)	(22,399)	(15,234)	(22,399)
Net cash from operating activities	302,031	961,138	327,125	889,939

	Group	Company	
	2014 RM'000	2013 RM'000	2014 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment			
- Additions	(2,084,641)	(2,117,455)	(2,081,254)
- Proceeds from disposals	119,745	16,437	119,362
Loan repayment received from associates	80,937	30,649	80,937
Proceeds from disposal of associate	-	78,265	-
Proceeds from disposal of other investments	44,584	-	44,584
Dividend received	4,697	-	4,697
Investment in associates	(30,378)	(55,975)	(3,731)
Loans granted to associate	(431,258)	(145,514)	(431,258)
Refund/(Deposits placed) on aircraft purchase	142,073	(152,483)	142,073
Net cash used in investing activities	(2,154,241)	(2,346,076)	(2,124,590)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from allotment of shares	2,064	1,248	2,064
Proceeds from borrowings	3,129,496	2,424,972	3,129,496
Repayment of borrowings	(1,241,080)	(1,250,227)	(1,241,080)
Dividends paid	(111,292)	(667,214)	(111,292)
Net cash from financing activities	1,779,188	508,779	1,779,188
NET DECREASE FOR THE FINANCIAL YEAR	(73,022)	(876,159)	(18,277)
CURRENCY TRANSLATION DIFFERENCES	30,436	23,863	30,436
DEPOSITS, CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL YEAR	1,380,435	2,232,731	1,306,926
DEPOSITS, CASH AND BANK BALANCES AT END OF THE FINANCIAL YEAR	1,337,849	1,380,435	1,319,085
			2,166,999

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

For the purposes of the cash flow statements, cash and cash equivalents include the following:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deposits, cash and bank balances (Note 22)	1,337,849	1,380,435	1,319,085	1,306,926
Less: Deposits pledged as securities	(15,649)	(14,416)	(15,649)	(14,416)
Less: Restricted cash	(553,822)	(171,529)	(553,822)	(171,529)
Adjustments in net cash flow from financing activities	(569,471)	(185,945)	(569,471)	(185,945)
Cash and cash equivalents	768,378	1,194,490	749,614	1,120,981

The deposits with licensed banks of the Group and Company amounting to RM15,649,000 (2013: RM14,416,000) are pledged as securities for banking facilities granted to the Group and Company (Note 25).

Restricted cash was in relation to a cash deposit pledged for the Group's and Company's revolving credit facility as at 31 December 2014 (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

1 REVENUE AND OTHER INCOME

REVENUE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Passenger seat sales	2,989,268	3,004,429	2,989,268	3,004,429
Baggage fees	456,039	442,677	456,039	442,677
Aircraft operating lease income	793,020	666,247	793,020	666,247
Surcharges and fees	677,241	587,972	677,241	587,972
Other revenue	500,176	410,497	500,176	410,497
	5,415,744	5,111,822	5,415,744	5,111,822

Other revenue includes assigned seat, freight, cancellation, documentation and other fees, and the on-board sale of meals and merchandise.

OTHER INCOME

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(Loss)/gain on disposals of property, plant and equipment	(4,690)	3,036	(4,690)	3,036
Gain on disposal of other investments	42,077	-	42,077	-
Fees charged to associates providing commercial air transport services	61,108	54,571	61,108	54,571
Others	79,534	123,672	57,843	80,206
	178,029	181,279	156,338	137,813

Other income ('others') includes commission income and advertising income.

2 STAFF COSTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Wages, salaries, bonus and allowances	608,555	554,085	586,420	550,074
Defined contribution retirement plan	58,722	56,820	55,802	56,691
	667,277	610,905	642,222	606,765

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2 STAFF COSTS (CONTINUED)

Included in staff costs are Executive Directors' and Non-Executive Directors' remuneration, analysed as follows:

	Group and Company	
	2014	2013
	RM'000	RM'000
<u>Executive Directors</u>		
- basic salaries, bonus and allowances	8,531	6,925
- defined contribution plan	1,023	831
<u>Non-executive Directors</u>		
- fees	1,078	1,659
	10,632	9,415

The remuneration payable to the Directors of the Company is analysed as follows:

	Executive		Non-executive	
	2014	2013	2014	2013
<u>Range of remuneration</u>				
Below RM150,000	-	-	3	5
RM150,001 to RM200,000	-	-	2	1
RM200,001 to RM250,000	-	-	2	1
RM250,001 to RM300,000	-	-	-	1
RM300,001 to RM350,000	-	-	-	1
RM1,000,001 to RM2,000,000	1	1	-	-
RM2,000,001 to RM3,000,000	-	1	-	-
RM3,000,001 to RM4,000,000	1	1	-	-
RM4,000,001 to RM5,000,000	1	-	-	-

3 OTHER OPERATING EXPENSES

The following items have been charged/(credited) in arriving at other operating expenses:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Impairment of amount due from a subsidiary (Note 20)	-	-	14,984	5,306
Impairment of other investments (Note 12)	10,125	2,685	-	-
Regional expenses incurred	-	45,438	-	45,438
Impairment of trade and other receivables	30,651	18,864	24,853	16,382
Rental of land and building	3,529	6,310	3,529	6,310
Auditors' remuneration				
- audit fees	800	752	758	710
- non-audit fees	1,230	287	1,230	287
Rental of equipment	1,791	2,255	1,791	2,255
Advertising costs	62,929	42,316	62,929	42,316
Net foreign exchange losses/(gains) from operations				
- Realised	18,922	17,137	18,922	17,137
- Unrealised	(28,164)	(35,010)	(28,164)	(35,010)

4 USER CHARGES

User charges include airport related charges, ground operational charges, aircraft insurance cost, and inflight related expenses.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

5 FINANCE INCOME/(COSTS)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Finance income:				
Interest income:				
- deposits with licensed banks	17,889	4,779	17,889	4,779
- short term deposits with fund management companies	-	759	-	759
- amounts due from associates and joint ventures	88,867	49,628	88,867	49,628
Gain from interest rate contracts	6,824	48,112	6,824	48,112
Others	8,289	9,042	8,256	9,026
	121,869	112,320	121,836	112,304
Finance costs:				
Interest expense				
- bank borrowings	(522,921)	(418,794)	(522,921)	(418,794)
Amortisation of premiums for interest rate caps	(8,192)	(8,032)	(8,192)	(8,032)
Bank facilities and other charges	(2,854)	(1,580)	(2,792)	(1,521)
	(533,967)	(428,406)	(533,905)	(428,347)
FOREIGN EXCHANGE LOSSES				
Borrowings:				
- realised	(5,339)	(5,606)	(5,339)	(5,606)
- unrealised	(707,031)	(586,767)	(707,033)	(586,767)
- fair value movement recycled from cash flow hedge reserve	175,256	194,578	175,256	194,578
(Loss)/gain from forward foreign exchange contracts and others	(71,971)	44,634	(71,971)	44,634
Ineffective on cash flow hedges (Note 18)	-	(57)	-	(57)
	(609,085)	(353,218)	(609,087)	(353,218)

6 TAXATION

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current taxation	25,638	18,910	25,638	18,910
Deferred taxation (Note 14)	(85,773)	(19,799)	(85,773)	(19,799)
	(60,135)	(889)	(60,135)	(889)
Current taxation				
- Current financial year	25,638	18,910	25,638	18,910
Deferred taxation				
- Origination and reversal of temporary differences	80,109	68,468	80,109	68,468
- Tax incentives	(165,882)	(88,267)	(165,882)	(88,267)
	(85,773)	(19,799)	(85,773)	(19,799)
	(60,135)	(889)	(60,135)	(889)

The current taxation charge is in respect of interest income which is assessed separately.

The explanation of the relationship between taxation and profit before taxation is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation	22,701	361,235	(27,321)	184,091
Tax calculated at Malaysian tax rate of 25% (2013: 25%)	5,675	90,309	(6,830)	46,023
Tax effects of:				
- expenses not deductible for tax purposes	147,803	107,711	147,803	107,711
- income not subject to tax	(24,786)	(31,419)	(19,171)	(949)
- associates' results reported net of tax	7,427	(10,416)	-	-
- joint ventures' results reported net of tax	(14,317)	(3,400)	-	-
- tax incentives	(165,882)	(137,133)	(165,882)	(137,133)
- change in statutory tax rate	(16,055)	(16,541)	(16,055)	(16,541)
Taxation	(60,135)	(889)	(60,135)	(889)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

7 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2014	2013
Net profit for the financial year (RM'000)	82,836	362,124
Weighted average number of ordinary shares in issue ('000)	2,782,245	2,780,542
Earnings per share (sen)	3.0	13.0

(b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Group	
	2014	2013
Net profit for the financial year (RM'000)	82,836	362,124
Weighted average number of ordinary shares in issue ('000)	2,782,245	2,780,542
Adjustment for ESOS ('000)	-	2,020
Weighted average number of ordinary shares for diluted earnings per share	2,782,245	2,782,562
Diluted earnings per share (sen)	3.0	13.0

The Company's share option scheme lapsed on 6 June 2014.

8 PROPERTY, PLANT AND EQUIPMENT

	At 1 January 2014 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2014 RM'000
Group					
Net book value					
Aircraft engines, airframe and service potential	11,049,553	1,990,785	(88,095)	(660,861)	12,291,382
Aircraft spares	125,275	29,302	(4,271)	(27,554)	122,752
Aircraft fixtures and fittings	24,152	31,151	(844)	(11,263)	43,196
Buildings	33,177	51	(30,287)	(1,286)	1,655
Motor vehicles	4,867	5,235	(102)	(2,418)	7,582
Office equipment, furniture and fittings	20,125	14,071	(437)	(8,622)	25,137
Office renovation	8,116	1,477	(385)	(2,700)	6,508
Simulator equipment	1,099	-	-	(10)	1,089
Operating plant and ground equipment	11,490	5,047	(14)	(4,061)	12,462
In-flight equipment	598	65	-	(279)	384
Training equipment	578	-	-	(443)	135
Work in progress	13,796	7,457	-	-	21,253
	11,292,826	2,084,641	(124,435)	(719,497)	12,533,535

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
Group				
At 31 December 2014				
Aircraft engines, airframe and service potential	15,699,049	(3,407,667)	-	12,291,382
Aircraft spares	303,900	(164,165)	(16,983)	122,752
Aircraft fixtures and fittings	125,341	(82,145)	-	43,196
Buildings	2,114	(459)	-	1,655
Motor vehicles	27,450	(19,868)	-	7,582
Office equipment, furniture and fittings	82,092	(56,955)	-	25,137
Office renovation	23,033	(16,525)	-	6,508
Simulator equipment	4,967	(3,878)	-	1,089
Operating plant and ground equipment	44,795	(32,333)	-	12,462
In-flight equipment	1,896	(1,512)	-	384
Training equipment	4,419	(4,284)	-	135
Work in progress	21,253	-	-	21,253
	16,340,309	(3,789,791)	(16,983)	12,533,535

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1 January 2013 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2013 RM'000
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Group

Net book value

Aircraft engines, airframe and service potential	9,563,749	2,036,509	(4,050)	(546,655)	11,049,553
Aircraft spares	125,207	32,220	(6,781)	(25,371)	125,275
Aircraft fixtures and fittings	18,647	13,383	(686)	(7,192)	24,152
Buildings	34,581	-	-	(1,404)	33,177
Motor vehicles	4,811	3,508	(1,507)	(1,945)	4,867
Office equipment, furniture and fittings	19,705	7,990	(74)	(7,496)	20,125
Office renovation	6,218	4,209	-	(2,311)	8,116
Simulator equipment	1,138	-	-	(39)	1,099
Operating plant and ground equipment	9,795	5,741	(303)	(3,743)	11,490
In-flight equipment	816	99	-	(317)	598
Training equipment	1,363	-	-	(785)	578
Work in progress	-	13,796	-	-	13,796
	9,786,030	2,117,455	(13,401)	(597,258)	11,292,826

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
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Group

At 31 December 2013

Aircraft engines, airframe and service potential	13,844,568	(2,795,015)	-	11,049,553
Aircraft spares	278,869	(136,611)	(16,983)	125,275
Aircraft fixtures and fittings	95,845	(71,693)	-	24,152
Buildings	41,204	(8,027)	-	33,177
Motor vehicles	22,595	(17,728)	-	4,867
Office equipment, furniture and fittings	69,692	(49,567)	-	20,125
Office renovation	21,557	(13,441)	-	8,116
Simulator equipment	4,967	(3,868)	-	1,099
Operating plant and ground equipment	41,037	(29,547)	-	11,490
In-flight equipment	1,831	(1,233)	-	598
Training equipment	4,419	(3,841)	-	578
Work in progress	13,796	-	-	13,796
	14,440,380	(3,130,571)	(16,983)	11,292,826

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1 January 2014 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2014 RM'000
<u>Company</u>					
<u>Net book value</u>					
Aircraft engines, airframe and service potential	11,049,553	1,990,785	(88,095)	(660,861)	12,291,382
Aircraft spares	125,275	29,302	(4,271)	(27,554)	122,752
Aircraft fixtures and fittings	24,152	31,151	(844)	(11,263)	43,196
Buildings	33,177	51	(30,287)	(1,286)	1,655
Motor vehicles	4,867	5,235	(102)	(2,418)	7,582
Office equipment, furniture and fittings	18,752	12,426	(437)	(7,998)	22,743
Office renovation	4,834	1,471	(2)	(2,029)	4,274
Simulator equipment	1,099	-	-	(10)	1,089
Operating plant and ground equipment	11,490	5,047	(14)	(4,061)	12,462
In-flight equipment	598	65	-	(279)	384
Training equipment	578	-	-	(443)	135
Work in progress	13,796	5,721	-	-	19,517
	11,288,171	2,081,254	(124,052)	(718,202)	12,527,171

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
<u>Company</u>				
<u>At 31 December 2014</u>				
Aircraft engines, airframe and service potential	15,699,049	(3,407,667)	-	12,291,382
Aircraft spares	303,900	(164,165)	(16,983)	122,752
Aircraft fixtures and fittings	125,341	(82,145)	-	43,196
Buildings	2,114	(459)	-	1,655
Motor vehicles	27,450	(19,868)	-	7,582
Office equipment, furniture and fittings	78,934	(56,191)	-	22,743
Office renovation	19,454	(15,180)	-	4,274
Simulator equipment	4,967	(3,878)	-	1,089
Operating plant and ground equipment	44,795	(32,333)	-	12,462
In-flight equipment	1,896	(1,512)	-	384
Training equipment	4,419	(4,284)	-	135
Work in progress	19,517	-	-	19,517
	16,331,836	(3,787,682)	(16,983)	12,527,171

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1 January 2013 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2013 RM'000
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Company

Net book value

Aircraft engines, airframe and service potential	9,563,749	2,036,509	(4,050)	(546,655)	11,049,553
Aircraft spares	125,207	32,220	(6,781)	(25,371)	125,275
Aircraft fixtures and fittings	18,647	13,383	(686)	(7,192)	24,152
Buildings	34,581	-	-	(1,404)	33,177
Motor vehicles	4,811	3,508	(1,507)	(1,945)	4,867
Office equipment, furniture and fittings	19,705	6,477	(74)	(7,356)	18,752
Office renovation	6,218	636	-	(2,020)	4,834
Simulator equipment	1,138	-	-	(39)	1,099
Operating plant and ground equipment	9,795	5,741	(303)	(3,743)	11,490
In-flight equipment	816	99	-	(317)	598
Training equipment	1,363	-	-	(785)	578
Work in progress	-	13,796	-	-	13,796
	9,786,030	2,112,369	(13,401)	(596,827)	11,288,171

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
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Company

At 31 December 2013

Aircraft engines, airframe and service potential	13,844,568	(2,795,015)	-	11,049,553
Aircraft spares	278,869	(136,611)	(16,983)	125,275
Aircraft fixtures and fittings	95,845	(71,693)	-	24,152
Buildings	41,204	(8,027)	-	33,177
Motor vehicles	22,595	(17,728)	-	4,867
Office equipment, furniture and fittings	68,179	(49,427)	-	18,752
Office renovation	17,984	(13,150)	-	4,834
Simulator equipment	4,967	(3,868)	-	1,099
Operating plant and ground equipment	41,037	(29,547)	-	11,490
In-flight equipment	1,831	(1,233)	-	598
Training equipment	4,419	(3,841)	-	578
Work in progress	13,796	-	-	13,796
	14,435,294	(3,130,140)	(16,983)	11,288,171

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in property, plant and equipment of the Group and the Company are assets with the following net book values:

	Group and Company	
	2014	2013
	RM'000	RM'000
Net book value of owned aircraft sub-leased to associates	4,674,014	4,254,518
Aircraft pledged as security for borrowings (Note 25)	12,291,382	11,049,553

The beneficial ownership and operational control of aircraft pledged as security for borrowings rests with the Company when the aircraft is delivered to the Company.

Where the legal title to the aircraft is held by financiers during delivery, the legal title will be transferred to the Company only upon settlement of the respective facilities.

9 INVESTMENT IN SUBSIDIARIES

	Company	
	2014	2013
	RM'000	RM'000
Unquoted investments, at cost	23,516	23,516
Less: Accumulated impairment losses	(36)	(36)
	23,480	23,480
At 1 January/31 December	23,480	23,480

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

9 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2014	2013	
		%	%	
<u>Directly held by the Company</u>				
AirAsia Investment Ltd ("AAIL")*	Malaysia	100	100	Investment holding
AirAsia Go Holiday Sdn Bhd ("AGH")	Malaysia	100	100	Tour operating business
AirAsia (Mauritius) Limited*	Mauritius	100	100	Providing aircraft leasing facilities to Thai AirAsia Co. Ltd
AirAsia Corporate Services Limited*	Malaysia	100	100	Facilitate business transactions for AirAsia Group with non-resident goods and service providers
GroundTeam Red Sdn Bhd (formerly known as Aras Sejagat Sdn Bhd)	Malaysia	100	100	Special purpose vehicle for financing arrangements required by AirAsia
Koolred Sdn Bhd	Malaysia	100	100	Investment holding
AirAsia Global Shared Services Sdn Bhd	Malaysia	100	100	To provide shared services and outsourcing for its affiliates
Asia Aviation Capital Limited ("AAC")*	Malaysia	100	-	Providing aircraft leasing services
<u>Held by AGH</u>				
AirAsia Exp Pte. Ltd ("AAE")*	Singapore	100	100	Investment holding
<u>Held by AAIL</u>				
AirAsia Capital Ltd *	Malaysia	100	100	Dormant

* Not audited by PricewaterhouseCoopers, Malaysia

On 26 September 2014, a wholly-owned subsidiary of the Company, AAC was incorporated in Labuan, Malaysia to provide aircraft leasing services for the Company and its affiliates. The initial share capital of AAC is USD100 comprising 100 ordinary shares of USD1.00 each.

10 INVESTMENT IN JOINT VENTURES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Unquoted investments, at cost	111,674	111,674	81,559	81,559
Share of post-acquisition reserves	79,946	22,680	-	-
	191,620	134,354	81,559	81,559

The joint ventures listed below have share capital consisting solely of ordinary shares, which are directly held by the Group:

Name of entity	Principal place of business/country of incorporation	Group's effective equity interest		Principal activities
		2014	2013	
		%	%	
Think Big Digital Sdn Bhd ("BIG")	Malaysia	47.8*	50	Financial services
Asian Aviation Centre of Excellence Sdn Bhd ("AACOE")	Malaysia	50	50	Aviation training
<u>Held by AAE</u>				
AAE Travel Pte Ltd ("AAE Travel")	Singapore	50	50	Online travel agency

* Reclassified to investment in associate (Note 11)

All the joint ventures listed above are private companies for which there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the joint ventures.

AACOE is an aviation training centre with operations in Malaysia and Singapore. AACOE is a strategic partner of the Company and provides initial and recurrent training for both pilots and flight attendants. AACOE also provides training to TAA, IAA, PAA, AAIP and other airline clients in the region.

AAE Travel is an online travel agent based in Singapore. AAE Travel is a strategic partner and sells both hotel accommodation and flights across the ASEAN region. AAE Travel provides the Company with an additional distribution channel and access to a wider market.

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10 INVESTMENT IN JOINT VENTURES (CONTINUED)

Summarised financial information for joint ventures

Set out below are the summarised financial information of the joint ventures which are accounted for using the equity method:

Summarised balance sheets

	AACOE		AAE Travel		Total	
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Current</u>						
Cash and cash equivalents	58,987	77,721	126,137	76,179	185,124	153,900
Other current assets	46,105	35,714	18,961	15,274	65,066	50,988
Total current assets	105,092	113,435	145,098	91,453	250,190	204,888
Financial liabilities (excluding trade payables)	(3,741)	(23,790)	(10,644)	(8,377)	(14,385)	(32,167)
Other current liabilities (including trade payables)	(47,658)	(22,327)	(35,333)	(26,771)	(82,991)	(49,098)
Total current liabilities	(51,399)	(46,117)	(45,977)	(35,148)	(97,376)	(81,265)
<u>Non-current</u>						
Assets	334,869	264,567	4,552	6,101	339,421	270,668
Liabilities	(108,995)	(125,583)	-	-	(108,995)	(125,583)
Net assets	279,567	206,302	103,673	62,406	383,240	268,708

Summarised statements of comprehensive income

	AACOE		AAE Travel		Total	
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>						
Revenue	85,432	88,927	438,823	312,409	524,255	401,336
Depreciation and amortisation	(19,111)	(17,633)	(6,606)	(3,084)	(25,717)	(20,717)
Interest income	-	-	-	12,499	-	12,499
Interest expense	(4,139)	(2,102)	-	-	(4,139)	(2,102)
Profit before taxation	24,075	23,128	43,658	18,027	67,733	41,155
Tax income/(expense)	49,190	(12,208)	(2,391)	(1,750)	46,799	(13,958)
Profit after taxation and total comprehensive income	73,265	10,920	41,267	16,277	114,532	27,197
Dividends received from joint ventures	-	-	-	-	-	-

10 INVESTMENT IN JOINT VENTURES (CONTINUED)

Reconciliations of summarised financial information

	AACOE		AAE Travel		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Opening net assets at 1 January	206,302	195,382	62,406	46,129	268,708	241,511
Profit after taxation and total comprehensive income	73,265	10,920	41,267	16,277	114,532	27,197
Closing net assets at 31 December	279,567	206,302	103,673	62,406	383,240	268,708
Interest in joint ventures at 50%	139,784	103,151	51,837	31,203	191,620	134,354
Carrying value at 31 December	139,784	103,151	51,837	31,203	191,620	134,354

11 INVESTMENT IN ASSOCIATES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
	Unquoted investments, at cost	169,434	139,056	3,760
Share of post-acquisition profits	91,720	121,427	-	-
Share of post-acquisition reserves	(30,700)	-	-	-
	230,454	260,483	3,760	29

The details of the associates are as follows:

Name of entity	Principal place of business/country of incorporation	Group's effective equity interest		Principal activities
		2014	2013	
		%	%	
AirAsia Philippines Inc	Philippines	39.9	39.9	Providing air transportation services, currently dormant
Asian Contact Centres Sdn. Bhd.	Malaysia	50.0	50.0	Providing end-to-end solutions for customers contact management and contact centre
Think Big Digital Sdn Bhd ("BIG")	Malaysia	47.8	50.0*	Financial services

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11 INVESTMENT IN ASSOCIATES (CONTINUED)

The details of the associates are as follows: (continued)

Name of entity	Principal place of business/country of incorporation	Group's effective equity interest		Principal activities
		2014	2013	
		%	%	
<u>Held by AAII</u>				
PT Indonesia AirAsia ("IAA")	Indonesia	48.9	48.9	Commercial air transport services
Thai AirAsia Co. Ltd ("TAA")	Thailand	45.0	45.0	Commercial air transport services
AirAsia Go Holiday Co. Ltd	Thailand	49.0	49.0	Tour operating business, currently dormant
AirAsia Inc ("PAA")	Philippines	40.0	40.0	Commercial air transport services
AirAsia (India) Private Limited ("AAIPL")	India	49.0	49.0	Commercial air transport services
AirAsia Japan Co., Ltd ("JAA")	Japan	49.0	-	Commercial air transport services – currently not operating

* Classified as investment in joint venture (Note 10)

All the associates listed above are private companies for which there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the associates.

TAA, IAA, PAA and AAIPL are all operators of commercial air transport services which are based in Thailand, Indonesia, Philippines and India respectively. These associate companies are strategic investments of the Company and form an essential part of the Company's growth strategy. They provide access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region.

BIG is a strategic partner of the Company and is based in Malaysia. BIG provides expertise in the operation of an airline loyalty scheme which will enable the Company to earn incremental revenue from the redemption of loyalty points issued by BIG.

11 INVESTMENT IN ASSOCIATES (CONTINUED)

Acquisition of interests in associates during the financial year ended 31 December 2014

On 1 July 2014, the Company, through its wholly-owned subsidiary, AAiL, entered into a Shareholders' Agreement and a Share Subscription Agreement with Octave Japan Infrastructure Fund I GK ("Octave"), Rakuten, Inc. ("Rakuten"), Noevir Holdings Co. Ltd. ("Noevir") and Alpen Co. Ltd. ("Alpen") for the purpose of forging a joint venture cooperation between the Company, Octave, Rakuten, Noevir and Alpen to establish a low cost airline in Japan, i.e. AirAsia Japan Co., Ltd. ("JAA"). On 18 July 2014, AAiL subscribed to 3,174,927 shares of common stock and 3,825,073 shares of non-voting convertible stock, representing 49% of the paid-up capital and 33% voting interest in JAA for a cash consideration of JPY490 million (equivalent to RM15.9 million).

On 29 January 2014, the Company entered into a new Shareholders' Agreement with Tune Money International Sdn. Bhd. ("TMI") and Aimia Holdings UK II Limited ("Aimia") for the inclusion of Aimia as a shareholder in Think Big Digital Sdn Bhd ("BIG"). On 10 February 2014, the Company acquired additional interest in BIG of 3,700,000 ordinary shares, diluting the Group's interest to 47.8% (2013: 50%) for a consideration of RM3.7 million.

On 31 October 2014, the Company, through its wholly-owned subsidiary, AAiL, invested an additional 20,000,036 ordinary shares in AirAsia (India) Private Limited ("AAIPL") for a cash consideration of INR200 million (equivalent to RM10.8 million). The Group's equity interest in AAIPL remains as 49%.

Summarised financial information for associates

Set out below are the summarised financial information for the associates which are accounted for using the equity method:

Summarised balance sheet

	JAA		AAIPL		TAA		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<u>Current</u>								
Cash and cash equivalents	12,528	-	57,133	23,169	508,551	196,152	578,212	219,321
Other current assets	62	-	6,883	739	249,531	617,874	256,476	618,613
Total current assets	12,590	-	64,016	23,908	758,082	814,026	834,688	837,934
Financial liabilities (excluding trade payables)	(157)	-	(49,112)	(191)	(185,213)	(707,978)	(234,482)	(708,169)
Other current liabilities (including trade payables)	(780)	-	(16,419)	-	(683,532)	(15,230)	(700,731)	(15,230)
Total current liabilities	(937)	-	(65,531)	(191)	(868,745)	(723,208)	(935,213)	(723,399)
<u>Non-current</u>								
Assets	1,013	-	1,905	383	1,839,295	1,257,240	1,842,213	1,257,623
Liabilities	-	-	-	-	(1,230,728)	(795,449)	(1,230,728)	(795,449)
Net assets	12,666	-	390	24,100	497,904	552,609	510,960	576,709

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11 INVESTMENT IN ASSOCIATES (CONTINUED)

Summarised financial information for associates (continued)

Summarised statement of comprehensive income

	JAA		AAIPL		TAA		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2	-	45,551	-	2,554,999	2,408,378	2,600,552	2,408,378
Depreciation and amortisation	(88)	-	(195)	(4)	(81,037)	(38,381)	(81,320)	(38,385)
Interest income	-	-	531	385	29,658	43,063	30,189	43,448
Interest expense	-	-	(1,460)	-	(21,990)	(6,611)	(23,450)	(6,611)
(Loss)/profit before taxation	(19,690)	-	(45,677)	(6,398)	13,997	263,739	(51,370)	257,341
Tax (income)/expense	13	-	(68)	-	(484)	(67,093)	(539)	(67,093)
(Loss)/profit after taxation	(19,677)	-	(45,745)	(6,398)	13,513	196,646	(51,909)	190,248
Other comprehensive income	-	-	-	-	(68,222)	1,307	(68,222)	1,307
Total comprehensive (loss)/income	(19,677)	-	(45,745)	(6,398)	(54,709)	197,953	(120,131)	191,555
Dividends received from associates	-	-	-	-	-	-	-	-

Reconciliations of summarised financial information

	JAA		AAIPL		TAA		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening net assets at 1 January	-	-	24,100	-	552,609	361,878	576,709	361,878
Investment during the financial year	32,343	-	22,041	30,498	-	-	54,384	30,498
Impact of adoption of new standard on retained earnings	-	-	-	-	-	(2,770)	-	(2,770)
(Loss)/profit for the financial year	(19,677)	-	(45,745)	(6,398)	13,513	196,646	(51,909)	190,248
Other comprehensive income/(loss)	-	-	-	-	(68,222)	1,307	(68,222)	1,307
Foreign exchange differences	-	-	(6)	-	4	(4,452)	(2)	(4,452)
Closing net assets at 31 December	12,666	-	390	24,100	497,904	552,609	510,960	576,709
Interest in associates at 49%, 49%, 45%	6,206	-	191	11,809	224,057	248,674	230,454	260,483
Carrying value at 31 December	6,206	-	191	11,809	224,057	248,674	230,454	260,483

The Group has discontinued the recognition of its share of losses incurred by IAA, PAA and BIG as the Group's interests in IAA, PAA and BIG had been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of these associates. The Group's share of losses of IAA, PAA and BIG for the current financial year, which have not been equity accounted for, amounted to RM115.6 million, RM36.7 million and RM10.6 million respectively. As at 31 December 2014, the unrecognised amounts of the Group's share of losses of IAA, PAA and BIG which have not been equity accounted for amounted to RM334.1 million (2013: RM218.5 million), RM102.5 million (2013: RM65.8 million) and RM22.9 million (2013: RM16.0 million) respectively.

12 OTHER INVESTMENTS

Other investments are accounted as available-for-sale financial assets, in accordance with MFRS 139 'Financial Instruments: Recognition and Measurement'.

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<u>Non-current</u>				
At 1 January	571,895	308,792	561,770	295,982
Disposal	(44,584)	-	(44,584)	-
Fair value (loss)/gain – recognised in other comprehensive income	(132,396)	265,788	(132,396)	265,788
Impairment loss charged for the year	(10,125)	(2,685)	-	-
At 31 December	384,790	571,895	384,790	561,770

Movements on the impairment of other investments are as follows:

	Group	
	2014 RM'000	2013 RM'000
At 1 January	2,685	-
Impairment	10,125	2,685
At 31 December	12,810	2,685

13 GOODWILL

	Group	
	2014 RM'000	2013 RM'000
<u>Cost</u>		
At 1 January and 31 December	7,334	7,334

The carrying amount of goodwill allocated to the Group's cash-generating unit is as follows:

	Group	
	2014 RM'000	2013 RM'000
<u>Cost</u>		
AirAsia Investment Ltd	7,334	7,334

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14 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	466,968	381,195	466,968	381,195

The movements in the deferred tax assets and liabilities of the Group and the Company during the financial year are as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At start of financial year	381,195	361,396	381,195	361,396
(Charged)/credited to income statements (Note 6)				
- Property, plant and equipment	(80,109)	(68,100)	(80,109)	(68,100)
- Tax incentives	165,882	88,267	165,882	88,267
- Tax losses	-	(368)	-	(368)
	85,773	19,799	85,773	19,799
At end of financial year	466,968	381,195	466,968	381,195
Deferred tax assets (before offsetting)				
Tax incentives	1,338,681	1,172,799	1,338,681	1,172,799
Tax losses	8,803	8,803	8,803	8,803
	1,347,484	1,181,602	1,347,484	1,181,602
Offsetting	(880,516)	(800,407)	(880,516)	(800,407)
Deferred tax assets (after offsetting)	466,968	381,195	466,968	381,195
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(880,516)	(800,407)	(880,516)	(800,407)
Offsetting	880,516	800,407	880,516	800,407
Deferred tax liabilities (after offsetting)	-	-	-	-

As disclosed in Note C to the financial statements in respect of critical accounting estimates and judgments, the deferred tax assets are recognised on the basis of the Group's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of fares, load factor, fuel price, maintenance costs and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate.

14 DEFERRED TAXATION (CONTINUED)

The Ministry of Finance granted approval to the Company under Section 127 of Income Tax Act, 1967 for income tax exemption in the form of an Investment Allowance ("IA") of 60% on qualifying expenditure incurred within a period of 5 years commencing 1 July 2009 to 30 June 2014, to be set off against 70% of the statutory income for each year of assessment. On 14 November 2014, the Company had obtained an extension of IA of 50% on qualifying expenditure incurred within a period of 5 years commencing 1 July 2014 to 30 June 2019, to be set off against 50% of the statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

15 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Non-current:</u>				
Trade receivables	28,141	28,141	28,141	28,141
Less: Allowance for impairment	(3,697)	(3,697)	(3,697)	(3,697)
	24,444	24,444	24,444	24,444
Prepayments	975,500	695,538	975,500	695,538
Deposits for maintenance of aircraft	62,643	70,595	62,643	70,595
Other deposits	69,917	56,996	51,337	56,996
	1,132,504	847,573	1,113,924	847,573
<u>Current:</u>				
Trade receivables	128,963	129,341	90,031	115,326
Less: Allowance for impairment	(3,316)	(3,316)	(3,316)	(3,316)
	125,647	126,025	86,715	112,010
Other receivables	176,216	197,346	162,392	174,868
Less: Allowance for impairment	(30,587)	(14,917)	(22,307)	(12,435)
	145,629	182,429	140,085	162,433
Prepayments	320,237	276,628	320,060	276,487
Deposits – cash collateral for derivatives	44,594	122,142	44,594	122,142
Other deposits	46,802	24,282	46,572	24,164
	682,909	731,506	638,026	697,236

Credit terms of trade receivables range from 30 to 60 days (2013: 30 to 60 days).

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15 RECEIVABLES AND PREPAYMENTS (CONTINUED)

(i) Financial assets that are neither past due nor impaired

Receivables that are neither past due nor impaired amounted to RM428,644,000 and RM365,358,000 (2013: RM223,802,000 and RM189,791,000) for the Group and Company respectively. These are substantially companies with good collection track records with the Group and Company.

(ii) Financial assets that are past due but not impaired

Receivables that are past due but not impaired amounted to RM91,032,000 (2013: RM166,092,000) for the Group and Company. These relate to a number of independent customers which have no recent history of default. The ageing analysis of these receivables that are past due but not impaired is as follows:

	Group and Company	
	2014	2013
	RM'000	RM'000
1 to 90 days	30,263	70,621
91 to 120 days	9,086	5,729
121 to 180 days	11,519	58,083
181 to 365 days	9,340	3,466
Over 365 days	6,380	3,749
	66,588	141,648

Receivables that are past due but not impaired included in non-current asset at the balance sheet date relates to an amount due from a customer of RM24,444,000 (2013: RM24,444,000) for which arbitration proceedings are currently ongoing. However, the Directors of the Company have assessed the recoverability of the amount and is of the view that the balance of RM24,444,000 is recoverable.

(iii) Financial assets that are past due and/or impaired

The carrying amount of receivables individually determined to be impaired are as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Over 365 days	37,600	21,930	29,320	19,448
Less: Allowance for impairment	(37,600)	(21,930)	(29,320)	(19,448)
	-	-	-	-

The individually impaired receivables are mainly related to disputed balances with customers or balances for which management is of the view that the amounts may not be recoverable.

15 RECEIVABLES AND PREPAYMENTS (CONTINUED)

Movements on the provision for impairment of receivables are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	21,930	3,066	19,448	3,066
Written-off	(14,981)	-	(14,981)	-
Impairment (Note 3)	30,651	18,864	24,853	16,382
At 31 December	37,600	21,930	29,320	19,448

The other classes within trade and other receivables do not contain impaired assets.

Deposits of the Group and Company at the balance sheet date are with a number of external parties for which there is no expectation of default.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group and Company do not hold any collateral as security.

The currency profile of receivables and deposits (excluding prepayments) is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	195,538	151,375	189,758	151,323
US Dollar	211,769	160,880	154,263	126,803
Others	112,369	294,658	112,369	294,658
	519,676	606,913	456,390	572,784

Prepayments include advances for purchases of fuel and prepaid engine maintenance to the service provider.

The carrying amounts of the Group's and the Company's trade and other receivables approximate their fair values.

16 DEPOSITS ON AIRCRAFT PURCHASE

Deposits on aircraft purchases represent amounts advanced towards the final cost of aircraft to be delivered to the Company.

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17 AMOUNTS DUE FROM/(TO) ASSOCIATES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Amounts due from associates				
- current	153,803	738,735	148,907	689,372
- non-current	2,301,528	559,190	2,213,755	478,564
	2,455,331	1,297,925	2,362,662	1,167,936
Amounts due to associates				
- current	(55,110)	(467)	(55,110)	(467)
- non-current	(83,545)	(60,859)	(64,965)	(60,859)
	(138,655)	(61,326)	(120,075)	(61,326)

Amounts due from associates include an amount of RM458,715,000 (2013: RM465,206,000) relating to advances to PT Indonesia AirAsia ("IAA") for purchase of aircraft in 2011 for the financing of aircraft purchase and are repayable over terms ranging from 7 years to 9 years at interest rates between 6.16% to 6.65% per annum. From this amount, RM401,552,000 (2013: RM413,676,000) is repayable after 12 months. The Company holds the aircraft as collateral. Other amounts due from associates were charged interest at 6% per annum.

In addition, the amounts due from associates include advances to AirAsia Inc. ("PAA") of RM431.3 million (2013: RM64.9 million). These advances are repayable over a term of up to 5 years from drawdown date. These advances are subject to interest of 6% per annum.

(i) Financial assets that are neither past due nor impaired

Amounts due from associates that are neither past due nor impaired of the Group and Company amounted to RM1,212,867,000 and RM1,125,035,000 (2013: RM972,189,000 and RM842,489,000) respectively.

(ii) Financial assets that are past due but not impaired

Amounts due from associates of the Group and Company that are past due but not impaired amounted to RM1,242,464,000 and RM1,237,627,000 respectively (2013: RM325,736,000 and RM325,447,000). The ageing analysis of these amounts is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Up to 1 year	1,152,690	233,532	1,147,853	233,243
Over 1 year	89,774	92,204	89,774	92,204
	1,242,464	325,736	1,237,627	325,447

The Group and Company have not made any impairment as management is of the view that these amounts are recoverable.

17 AMOUNTS DUE FROM/(TO) ASSOCIATES (CONTINUED)

(iii) Financial assets that are past due and/or impaired

There are no amounts due from associates of the Group and Company that are past due and impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from associates mentioned above.

The currency profile of the amounts due from/(to) associates is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Amounts due from associates				
- US Dollar	2,451,131	1,297,925	2,358,462	1,167,936
- Ringgit Malaysia	4,200	-	4,200	-
	2,455,331	1,297,925	2,362,662	1,167,936
Amounts due to associates				
- US Dollar	(138,655)	(61,326)	(120,075)	(61,326)

18 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company			
	2014		2013	
	Assets	Liabilities	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000
<u>Non-current</u>				
Interest rate swaps – cash flow hedges	988	(199,743)	17,266	(195,490)
Interest rate swaps – held for trading	-	(48,352)	-	(56,278)
Interest rate caps – held for trading	1,732	-	4,570	-
Forward foreign exchange contracts – cash flow hedges	326,310	-	182,307	-
Forward foreign exchange contracts – held for trading	52,656	-	31,522	-
Total	381,686	(248,095)	235,665	(251,768)
<u>Current</u>				
Interest rate swaps – held for trading	-	(27,574)	-	(29,309)
Forward foreign exchange contracts – held for trading	7,364	-	1,282	(236)
Commodity derivatives – cash flow hedges	278,934	(444,630)	1,891	-
Total	286,298	(472,204)	3,173	(29,545)

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18 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedge item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months. Derivatives held for trading are those which do not qualify for hedge accounting.

	2014		2013	
	Notional amount RM'000	Fair value RM'000	Notional amount RM'000	Fair value RM'000
Interest rate caps	338,689	1,732	357,569	4,570
Interest rate swaps	3,360,539	(274,681)	3,467,775	(263,811)
Cross currency interest rate swaps	476,242	27,384	151,869	1,225
Forward foreign exchange contracts	2,786,088	358,946	3,224,321	213,650
Commodity derivatives	3,012,001*	(165,696)	77,328*	1,891

* in barrels

(i) Forward foreign exchange contracts and cross currency interest rate swaps

The notional principal amounts of the outstanding forward foreign exchange contracts and cross currency interest rate swaps at 31 December 2014 were RM3.262 billion (2013: RM3.376 billion).

As at 31 December 2014, the Group has hedged approximately 51% (2013: 54%) of its USD liabilities pertaining to its aircraft and engine loans into Malaysian Ringgit ("RM") by using long dated foreign exchange forward contracts and cross currency interest rate swaps to manage its foreign currency risk. The latest weighted average of USD:RM forward exchange rate is 3.2375 (2013: 3.2239). Gains and losses recognised in the hedging reserve in equity on hedging instruments as of 31 December 2014 will be continuously released to the income statement within foreign exchange gains/(losses) on borrowings until the full repayment of the term loans (refer Note 25 to the financial statements).

(ii) Interest rate contracts

The notional principal amounts of the outstanding interest rate contracts at 31 December 2014 were RM3.699 billion (2013: RM3.825 billion).

The Group has entered into interest rate contracts to hedge against fluctuations in the USD LIBOR on its existing floating rate aircraft financing for aircraft delivered from 2005 to 2014. As at 31 December 2014, the Group has hedged RM916.9 million (2013: RM895.5 million) of its existing aircraft loans at rates from 1.80% to 5.20% per annum (2013: 1.80% to 5.20% per annum) via interest rate swaps, interest rate caps and cross-currency swaps. As at 31 December 2014, the Group has hedged RM2.485 billion (2013: RM2.199 billion) of the term loans and RM722.3 million (2013: RM734.0 million) of the finance lease liabilities (Note 25). Gains and losses recognised in the hedging reserve in equity on hedging instruments as of 31 December 2014 will be continuously released to the income statement within finance cost until the full repayment of the term loans (refer Note 25 to the financial statements).

18 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Fuel contracts

The outstanding number of barrels of Singapore Jet Kerosene derivative contracts at 31 December 2014 was 3,012,001 barrels (2013: 77,328).

As at 31 December 2014, the Group has entered into Singapore Jet Kerosene fixed swap which represents up to 50% (2013: 7%) of the Group's total expected fuel volume for the financial year 2015. This is to hedge against the fuel price risk that the Group is exposed to. Gains and losses recognised in the hedging reserve in equity on fuel contracts as of 31 December 2014 are recognised in the income statement in the period or periods during which the hedged forecast transactions affects the income statement.

19 INVENTORIES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Consumables, in-flight merchandise and others	18,152	29,520	18,152	29,520

20 AMOUNTS DUE FROM SUBSIDIARIES AND RELATED PARTIES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Amounts due from subsidiaries	-	-	194,243	196,426
Less: Allowance for impairment	-	-	(20,290)	(5,306)
	-	-	173,953	191,120
Amounts due from related parties	3,179	6,113	3,144	6,113
	3,179	6,113	177,097	197,233

Movements on the provision for impairment of amounts due from subsidiaries and related parties are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	-	-	5,306	-
Less: Allowance for impairment	-	-	14,984	5,306
At 31 December	-	-	20,290	5,306

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20 AMOUNTS DUE FROM SUBSIDIARIES AND RELATED PARTIES (CONTINUED)

The amounts due from subsidiaries and related parties are unsecured, interest bearing and have no fixed terms of repayment.

The currency profile of amounts due from subsidiaries and related parties is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	454	2,164	49,860	15,462
US Dollar	2,725	3,949	127,237	181,771
	3,179	6,113	177,097	197,233

21 AMOUNTS DUE FROM/(TO) JOINT VENTURES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Amounts due from joint ventures	51,188	33,703	34,432	11,431
Amount due to a joint venture	-	-	-	(151)

Amounts due from/(to) joint ventures are unsecured, interest free and have no fixed terms of repayment.

The currency profile of the amounts due from/(to) joint ventures is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Amounts due from joint ventures:				
- Ringgit Malaysia	33,770	1,604	33,770	1,604
- US Dollar	-	9,827	-	9,827
- Singapore Dollar	17,418	22,272	662	-
	51,188	33,703	34,432	11,431
Amount due to a joint venture:				
- US Dollar	-	-	-	(151)

22 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deposits, cash and bank balances	1,337,849	1,380,435	1,319,085	1,306,926

The currency profile of deposits, cash and bank balances is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	180,190	145,227	178,453	141,425
US Dollar	75,581	188,148	58,616	118,498
Singapore Dollar	15,350	26,535	15,293	26,483
Australian Dollar	8,484	25,687	8,484	25,687
Chinese Renminbi	1,017,429	910,944	1,017,429	910,944
Hong Kong Dollar	13,129	12,217	13,129	12,216
Indian Rupee	6,243	21,422	6,243	21,422
Thai Baht	1,143	3,911	1,139	3,907
Indonesian Rupiah	5,233	9,807	5,233	9,807
Brunei Dollar	300	3,020	300	3,020
Euro	1,281	10,192	1,281	10,192
Philippine Peso	712	2,270	712	2,270
Vietnamese Dong	7,773	8,952	7,773	8,952
British Pound	1,502	5,639	1,501	5,639
Others	3,499	6,464	3,499	6,464
	1,337,849	1,380,435	1,319,085	1,306,926

The weighted average effective annual interest rates of deposits at the balance sheet dates are as follows:

	Group		Company	
	2014	2013	2014	2013
	%	%	%	%
Deposits with licensed banks	3.21	3.23	3.21	3.23

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23 TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Non-current:</u>				
Aircraft maintenance accruals	1,212,044	918,864	1,212,044	918,864
<u>Current:</u>				
Trade payables	100,227	71,899	55,622	37,841
Accrual for fuel	199,749	224,239	199,749	224,239
Other payables and accruals	473,152	448,860	526,207	398,229
	773,128	744,998	781,578	660,309

Other payables and accruals include accruals for operational expenses payable to airport authorities and passenger service charge.

The currency profile of trade and other payables is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
RM	524,135	451,680	519,484	412,672
USD	1,343,101	1,106,327	1,356,202	1,081,069
Others	117,936	105,855	117,936	85,432
	1,985,172	1,663,862	1,993,622	1,579,173

24 AMOUNTS DUE TO A SUBSIDIARY AND RELATED PARTIES

The amounts due to a subsidiary and related parties are denominated in Ringgit Malaysia, unsecured, interest free and are repayable on demand.

The currency profile of the amounts due to a subsidiary and related parties are as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Amounts due to a subsidiary and related parties:				
- Ringgit Malaysia	13,979	15,145	13,979	25,330
- US Dollar	10,714	-	10,714	-
	24,693	15,145	24,693	25,330

25 BORROWINGS

	Weighted average interest rate		Group and Company	
	2014	2013	2014	2013
	%	%	RM'000	RM'000
<u>Current:</u>				
Term loans	3.95	4.21	1,399,003	853,314
Finance lease liabilities (Ijarah)	5.60	5.68	75,530	66,407
Commodity Murabahah Finance	4.62	5.31	51,389	35,940
Revolving credit	2.22	2.07	749,006	163,775
			2,274,928	1,119,436
<u>Non-current:</u>				
Term loans	3.95	4.21	9,131,661	7,903,560
Finance lease liabilities (Ijarah)	5.60	5.68	719,117	744,420
Commodity Murabahah Finance	4.62	5.31	602,312	403,436
			10,453,090	9,051,416
Total borrowings			12,728,018	10,170,852

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25 BORROWINGS (CONTINUED)

The borrowings are repayable as follows:

	Group and Company	
	2014	2013
	RM'000	RM'000
Not later than 1 year	2,274,927	1,119,436
Later than 1 year and not later than 5 years	5,667,740	4,656,400
Later than 5 years	4,785,351	4,395,016
	12,728,018	10,170,852

The currency profile of borrowings is as follows:

	Group and Company	
	2014	2013
	RM'000	RM'000
Ringgit Malaysia	2,285,827	1,002,151
US Dollar	10,099,768	8,821,446
Euro	140,204	136,757
Singapore Dollar	202,219	210,498
	12,728,018	10,170,852

Total borrowings as at 31 December 2014 consist of the following banking facilities:

	Group and Company	
	2014	2013
	RM'000	RM'000
Fixed rate borrowings	7,137,045	6,144,416
Floating rate borrowings	5,590,973	4,026,436
	12,728,018	10,170,852

25 BORROWINGS (CONTINUED)

The carrying amounts and fair values of the non-current fixed rate borrowings are as follows:

	Group and Company			
	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Term loans	5,878,388	5,874,449	5,041,987	4,902,838
Finance lease liabilities (Ijarah)	719,116	677,186	113,284	111,502
Commodity Murabahah Finance	367,029	373,332	403,436	397,280
	6,964,533	6,924,967	5,558,707	5,411,620

The fair values of the borrowings classified as current liabilities approximate their carrying amounts, as the impact of discounting is not significant.

The fair values of the non-current fixed rate borrowings are based on cash flows discounted using borrowing rates that are reflective of the Group's and Company's credit risk at the balance sheet date, at 4.40% to 5.84% (2013: 5.28% to 5.84%) per annum. The fair values of non-current borrowings are within level 3 of the fair value hierarchy.

The above term loans, finance lease liabilities (Ijarah) and commodity murabahah finance are for the purchase of aircraft, spare engines and working capital purposes. Total borrowings include secured liabilities of RM11.8 billion (2013: RM9.8 billion).

The repayment terms of secured term loans, finance lease liabilities (Ijarah) and commodity murabahah finance are on a quarterly or semi-annually basis. These are secured by the following:

- (a) Assignment of rights under contract with Airbus over each aircraft;
- (b) Assignment of insurance of each aircraft; and
- (c) Assignment of airframe and engine warranties of each aircraft.

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26 SHARE CAPITAL

	Group and Company	
	2014	2013
	RM'000	RM'000
<u>Authorised:</u>		
Ordinary shares of RM0.10 each:		
At beginning and end of the financial year	500,000	500,000
<u>Issued and fully paid up:</u>		
Ordinary shares of RM0.10 each:		
At beginning of the financial year	278,106	277,991
Issued during the financial year	191	115
At end of the financial year	278,297	278,106

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM278,106,258 to RM278,297,408 by way of issuance of 1,911,500 ordinary shares of RM0.10 each pursuant to the exercise of the Employee Share Option Scheme ("ESOS") at an exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM1,873,270 has been credited to the Share Premium account.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company. There were no other changes in the issued and paid-up capital of the Company during the financial year.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company implemented an ESOS on 1 September 2004 ("the Scheme"). The ESOS is governed by the by-laws which were approved by the shareholders on 7 June 2004 and was effective for a period of 5 years from the date of approval. On 28 May 2009, the Company extended the duration of its ESOS which expired on 6 June 2009 by another 5 years to 6 June 2014. This was in accordance with the terms of the ESOS By-Laws. The ESOS extension was not subject to any regulatory or shareholders' approval.

26 SHARE CAPITAL (CONTINUED)

EMPLOYEE SHARE OPTION SCHEME ("ESOS") (continued)

Set out below are details of options over the ordinary shares of the Company granted under the ESOS:

Grant date	Expiry date	Exercise price	At 1.1.2014	Granted	Exercised	Lapsed	At 31.12.2014
		RM/share	'000	'000	'000	'000	'000
1 September 2004	6 June 2014	1.08	2,583	-	(1,912)	(671)	-
Grant date	Expiry date	Exercise price	At 1.1.2013	Granted	Exercised	Lapsed	At 31.12.2013
		RM/share	'000	'000	'000	'000	'000
1 September 2004	6 June 2014	1.08	3,739	-	(1,156)	-	2,583
						2014	2013
						'000	'000
Number of share options vested at balance sheet date						-	2,583

Details relating to options exercised during the financial year are as follows:

Exercise date	Quoted price of shares at share issue date	Exercise price	Number of shares issued
	RM/share	RM/share	'000
January 2014 to March 2014	2.30 – 2.55	1.08	284
April 2014 to June 2014	2.50 – 2.51	1.08	1,628
			1,912

The Company's share option scheme lapsed on 6 June 2014.

27 RETAINED EARNINGS AND OTHER RESERVES

(a) Retained earnings

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

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27 RETAINED EARNINGS AND OTHER RESERVES (CONTINUED)

(b) Other reserves

	Cash flow hedge reserve RM'000	Available-for-sale reserve RM'000	Total RM'000
<u>Group</u>			
At 1 January 2014	80,065	486,347	566,412
Cash flow hedge – fair value gains	(46,983)	-	(46,983)
Amounts transferred to income statement	(175,256)	-	(175,256)
Share capital reserve of associates	(30,700)	-	(30,700)
Revaluation of other investments	-	(132,396)	(132,396)
Transfer to profit or loss on disposal	-	(42,077)	(42,077)
At 31 December 2014	(172,874)	311,874	139,000
At 1 January 2013			
Cash flow hedge – fair value gains	372,790	-	372,790
Amounts transferred to income statement	(194,577)	-	(194,577)
Revaluation of other investments	-	265,788	265,788
At 31 December 2013	80,065	486,347	566,412
<u>Company</u>			
At 1 January 2014	80,065	486,347	566,412
Cash flow hedge – fair value gains	(46,983)	-	(46,983)
Amounts transferred to income statement	(175,256)	-	(175,256)
Revaluation of other investments	-	(132,396)	(132,396)
Transfer to profit or loss on disposal	-	(42,077)	(42,077)
At 31 December 2014	(142,174)	311,874	169,700
At 1 January 2013			
Cash flow hedge – fair value gains	372,790	-	372,790
Amounts transferred to income statement	(194,577)	-	(194,577)
Revaluation of other investments	-	265,788	265,788
At 31 December 2013	80,065	486,347	566,412

28 DIVIDENDS

Dividends declared or proposed by the Company are as follows:

	2014		2013	
	Gross dividend per share Sen	Amount of dividend net of tax RM'000	Gross dividend per share Sen	Amount of dividend net of tax RM'000
First and final dividend paid in respect of the financial year ended 31 December 2014:				
Single-tiered interim 'special' dividend of 18 sen per share	-	-	18.00	500,383
Single-tiered dividend of 4 sen per share (2013: 6.00 sen per share)	4.00	111,292	6.00	166,831
	4.00	111,292	24.00	667,214

29 COMMITMENTS AND OPERATING LEASES

(a) Capital commitments not provided for in the financial statements are as follows:

	Group and Company	
	2014 RM'000	2013 RM'000
Property, plant and equipment:		
- Approved and contracted for	63,257,559	55,515,081
- Approved but not contracted for	14,452,618	12,988,262
	77,710,177	68,503,343

The capital commitments for the Group and Company are in respect of aircraft purchase and the construction of the new office building. The future commitments of aircraft purchase and construction of new office building are as follows:

	Group and Company	
	2014 RM'000	2013 RM'000
Not later than 1 year	1,131,682	3,019,835
Later than 1 year and not later than 5 years	8,072,885	15,540,366
Later than 5 years	54,052,992	36,954,880
	63,257,559	55,515,081

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29 COMMITMENTS AND OPERATING LEASES (CONTINUED)

(b) Non-cancellable operating leases

The future minimum lease payments and sublease receipts under non-cancellable operating leases are as follows:

	Group and Company			
	2014		2013	
	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000
Not later than 1 year	179,353	816,986	202,338	760,328
Later than 1 year and not later than 5 years	667,617	3,140,181	790,787	2,958,635
Later than 5 years	466,627	2,237,442	733,926	2,750,514
	1,313,597	6,194,609	1,727,051	6,469,477

Sublease receipts include lease receipts from both owned and leased aircraft receivable from Thai AirAsia Co. Ltd, PT Indonesia AirAsia, AirAsia Inc, Zest Airways Inc and AirAsia (India) Private Limited.

30 CONTINGENT LIABILITIES

At 31 December 2014 the Group and Company had contingent liabilities amounting to RM10 million (2013: RM20.7 million) relating to a fine imposed by the Malaysian Competition Commission, against which the Company intends to appeal to the Competition Appeal Tribunal. Having considered legal advice from the external legal counsel, the Directors are of the opinion that the possibility of outflow is not probable.

31 SEGMENTAL INFORMATION

Segmental information is as shown in the income statements, balance sheets and relevant notes as the Group's sole business segment is the provision of air transportation services. Management has determined the operating segment based on management reports that are reviewed and used to make strategic decisions by the Group Chief Executive Officer who is identified as the chief operating decision maker.

The Group's operations are conducted predominantly in Malaysia.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party disclosures.

The related parties of the Company and their relationships at 31 December 2014 are as follows:

<u>Related companies</u>	<u>Relationship</u>
AirAsia Go Holiday Sdn Bhd	Subsidiary
AirAsia (Mauritius) Limited	Subsidiary
AirAsia Investment Limited	Subsidiary
Koolred Sdn Bhd	Subsidiary
AirAsia Global Shared Services Sdn Bhd	Subsidiary
Asia Aviation Capital Ltd	Subsidiary
Think Big Digital Sdn Bhd	Associate
PT Indonesia AirAsia	Associate of a subsidiary
AirAsia Inc	Associate of a subsidiary
Thai AirAsia Co. Ltd	Associate of a subsidiary
AirAsia Japan Co. Ltd	Associate of a subsidiary
AirAsia (India) Private Limited	Associate of a subsidiary
Zest Airways Inc	Subsidiary of an associate
AAE Travel Pte Ltd	Joint venture of a subsidiary
Asian Aviation Centre of Excellence Sdn Bhd	Joint venture
AirAsia X Berhad	Company with common directors and shareholders
Tune Money Sdn Bhd	Common directors
Tune Insurance Malaysia Berhad	Company with common directors and shareholders
Queens Park Rangers Holdings Ltd	Company with common directors and shareholders
Tune Box Aviation Sdn Bhd	Company with common directors and shareholders
Thai AirAsia X Co. Ltd	Company with common directors and shareholders
PT Indonesia AirAsia Extra	Company with common directors and shareholders

All related party transactions were carried out on agreed terms and conditions.

Key management personnel are categorised as head or senior management officers of key operating divisions within the Group and Company. The key management compensation is disclosed in Note 32(d) below.

Related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members, where applicable.

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32 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(a) <u>Income:</u>				
Aircraft operating lease income for owned and leased aircraft				
- Thai AirAsia Co. Ltd	374,529	333,618	374,529	333,618
- PT Indonesia AirAsia	324,247	257,045	324,247	257,045
- AirAsia Inc	34,447	30,435	34,447	30,435
- AirAsia Japan Co. Ltd	-	41,973	-	41,973
- Zest Airways Inc	46,400	2,770	46,400	2,770
- AirAsia (India) Private Limited	14,782	-	14,782	-
Gain on disposal of aircraft to Thai AirAsia Co. Ltd	11,377	23,367	-	-
Services and fees charged to AirAsia X Berhad	16,106	15,376	16,106	15,376
Fees charged to associates providing commercial air transport services	61,108	54,571	61,108	54,571
Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad	12,985	15,217	12,985	15,217
(b) <u>Recharges:</u>				
Recharges of expenses to				
- Thai AirAsia Co. Ltd	102,456	66,241	102,456	66,241
- PT Indonesia AirAsia	356,240	306,196	356,240	306,196
- AirAsia Inc	31,341	10,267	31,341	10,267
- Zest Aiways Inc	20,706	-	20,706	-
Recharges of expenses by				
- Thai AirAsia Co. Ltd	(14,304)	(11,494)	(14,304)	(11,494)

32 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(c) <u>Other charges/(expenses):</u>				
Maintenance reserve fund charged to				
- PT Indonesia Airasia	147,839	142,640	147,839	142,640
- Thai AirAsia Co. Ltd	141,866	145,631	141,866	145,631
- AirAsia Inc	8,884	13,638	8,884	13,638
- AirAsia Japan Co. Ltd	-	13,185	-	13,185
- Zest Airways Inc	22,136	580	22,136	580
- AirAsia (India) Private Limited	2,079	-	2,079	-
Interest charges to				
- PT Indonesia AirAsia	34,010	12,758	34,010	12,758
- AirAsia Inc	24,312	5,357	24,312	5,357
Provision of sponsorship to Queens Park Rangers Holdings Ltd	(9,003)	(7,063)	(9,003)	(7,063)
Charter air travel services charged by AirAsia X Berhad	(8,827)	-	(8,827)	-
In-flight entertainment system and solutions costs charged by Tune Box Aviation Sdn Bhd	(12,242)	-	(12,242)	-
(d) <u>Key management compensation:</u>				
- basic salaries, bonus and allowances	20,523	18,046	19,509	17,007
- defined contribution plan	2,503	2,052	2,362	1,927
	23,026	20,098	21,871	18,934

Included in the key management compensation are Executive Directors' remuneration as disclosed in Note 2 to the financial statements.

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32 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(e) <u>Receivables:</u>				
<u>Subsidiaries</u>				
- AirAsia (Mauritius) Limited	-	-	40,911	88,641
- AirAsia Investment Limited	-	-	83,249	74,034
- Koolred Sdn Bhd	-	-	-	14,985
- AirAsia Global Shared Services Sdn Bhd	-	-	15,812	13,298
- AirAsia Go Holiday Sdn Bhd	-	-	31,358	-
- Others	-	-	2,623	162
Amounts due from subsidiaries	-	-	173,953	191,120
<u>Joint ventures</u>				
- Asian Aviation Centre of Excellence Sdn Bhd	33,770	9,461	33,770	9,461
- AAE Travel Pte Ltd	17,418	22,272	662	-
- Think Big Digital Sdn Bhd	-	1,970	-	1,970
Amounts due from joint ventures	51,188	33,703	34,432	11,431
<u>Associates</u>				
- Thai AirAsia Co. Ltd	11,525	62,208	10,966	13,851
- PT Indonesia AirAsia	1,411,097	850,246	1,410,431	849,590
- AirAsia Inc	948,260	366,280	860,487	285,623
- AirAsia (India) Private Limited	77,001	664	75,984	664
- Zest Airways Inc	2,650	18,527	-	18,208
- Think Big Digital Sdn Bhd	4,200	-	4,200	-
- Others	598	-	594	-
Amounts due from associates	2,455,331	1,297,925	2,362,662	1,167,936
<u>Related parties</u>				
- Tune Money Sdn Bhd	-	1,401	-	1,401
- Caterhamjet Global Ltd	454	1,532	454	1,532
- Others	2,725	3,180	2,690	3,180
Amounts due from related parties	3,179	6,113	3,144	6,113

32 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(f) <u>Payables:</u>				
<u>Subsidiary</u>				
- AirAsia Go Holiday Sdn Bhd	-	-	-	10,185
<u>Joint venture</u>				
- AAE Travel Pte Ltd	-	-	-	151
<u>Associates</u>				
- Thai AirAsia Co. Ltd	83,545	60,859	64,965	60,859
- Zest Airways Inc	55,110	-	55,110	-
- Others	-	467	-	467
Amounts due to associates	138,655	61,326	120,075	61,326
<u>Related parties</u>				
- AirAsia X Berhad	13,979	15,145	13,979	15,145
- Thai AirAsia X Co. Ltd	6,116	-	6,116	-
- PT Indonesia AirAsia Extra	4,598	-	4,598	-
Amounts due to related parties	24,693	15,145	24,693	15,145

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33 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

	Loans and receivables RM'mil	Assets at fair value through the profit and loss RM'mil	Available-for-sale RM'mil	Total RM'mil
Group				
31 December 2014				
Assets as per balance sheet				
Other investments	-	-	385	385
Receivables excluding prepayments	520	-	-	520
Amounts due from associates	2,455	-	-	2,455
Amounts due from joint ventures	51	-	-	51
Amounts due from related parties	3	-	-	3
Derivative financial instruments	-	668	-	668
Deposits, cash and bank balances	1,338	-	-	1,338
Total	4,367	668	385	5,420
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)	-	11,933	11,933	11,933
Finance lease liabilities	-	795	795	795
Derivative financial instruments	720	-	-	720
Trade and other payables	-	773	773	773
Amounts due to associates	-	139	139	139
Amounts due to related parties	-	25	25	25
Total	720	13,665	13,665	14,385

33 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

	Loans and receivables RM'mil	Assets at fair value through the profit and loss RM'mil	Available-for-sale RM'mil	Total RM'mil
<u>Group</u>				
31 December 2013				
<u>Assets as per balance sheet</u>				
Other investments	-	-	572	572
Receivables excluding prepayments	607	-	-	607
Amounts due from associates	1,298	-	-	1,298
Amounts due from joint ventures	34	-	-	34
Amounts due from related parties	6	-	-	6
Derivative financial instruments	-	239	-	239
Deposits, cash and bank balances	1,380	-	-	1,380
Total	3,325	239	572	4,136
<u>Liabilities as per balance sheet</u>				
Borrowings (excluding finance lease liabilities)	-	9,360	9,360	9,360
Finance lease liabilities	-	811	811	811
Derivative financial instruments	281	-	-	281
Trade and other payables	-	745	745	745
Amount due to an associate	-	61	61	61
Amount due to a related party	-	15	15	15
Total	281	10,992	11,273	

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33 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

	Loans and receivables RM'mil	Assets at fair value through the profit and loss RM'mil		Available-for-sale RM'mil	Total RM'mil
<u>Company</u>					
<u>31 December 2014</u>					
<u>Assets as per balance sheet</u>					
Other investments	-	-	385	385	385
Receivables excluding prepayments	456	-	-	-	456
Amounts due from subsidiaries	174	-	-	-	174
Amounts due from associates	2,363	-	-	-	2,363
Amounts due from joint ventures	34	-	-	-	34
Amounts due from related parties	3	-	-	-	3
Derivative financial instruments	-	668	-	-	668
Deposits, cash and bank balances	1,319	-	-	-	1,319
Total	4,349	668	385		5,402
		Liabilities at fair value through the profit and loss RM'mil	Other financial liabilities at amortised cost RM'mil		Total RM'mil
<u>Liabilities as per balance sheet</u>					
Borrowings (excluding finance lease liabilities)	-	-	11,933	11,933	11,933
Finance lease liabilities	-	-	795	795	795
Derivative financial instruments	720	-	-	-	720
Trade and other payables	-	-	782	782	782
Amounts due to associates	-	-	120	120	120
Amounts due to related parties	-	-	25	25	25
Total	720	-	13,655		14,375

33 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

	Loans and receivables RM'mil	Assets at fair value through the profit and loss RM'mil		Available-for-sale RM'mil	Total RM'mil			
		562	562					
<u>Company</u>								
31 December 2013								
<u>Assets as per balance sheet</u>								
Other investments	-	-	562	562	562			
Receivables excluding prepayments	573	-	-	-	573			
Amounts due from subsidiaries	191	-	-	-	191			
Amounts due from associates	1,168	-	-	-	1,168			
Amounts due from joint ventures	11	-	-	-	11			
Amounts due from related parties	6	-	-	-	6			
Derivative financial instruments	-	239	-	-	239			
Deposits, cash and bank balances	1,307	-	-	-	1,307			
Total	3,256	239	562	562	4,057			
<u>Liabilities as per balance sheet</u>								
Borrowings (excluding finance lease liabilities)	-	9,360	9,360	9,360	9,360			
Finance lease liabilities	-	811	811	811	811			
Derivative financial instruments	281	-	-	-	281			
Trade and other payables	-	660	660	660	660			
Amount due to a subsidiary	-	10	10	10	10			
Amount due to an associate	-	61	61	61	61			
Amount due to a joint venture	-	1	1	1	1			
Amount due to a related party	-	15	15	15	15			
Total	281	10,918	11,199	11,199	11,199			

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33 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Group	2014	2013
	RM'mil	RM'mil	
<u>Counterparties without external credit rating</u>			
Group 1	1	13	
Group 2	149	84	
Total unimpaired trade receivables	150	97	
<u>Cash at bank and short term bank deposits</u>			
AAA to A-	1,323	1,370	
BBB to B3	15	10	
	1,338	1,380	
<u>Derivative financial assets</u>			
AA+ to A+	55	43	
A to BBB-	334	196	
No rating	279	-	
	668	239	
<u>Loans to related parties</u>			
Group 2	2,510	1,237	

Group 1 – New customers/related parties (Less than 6 months)

Group 2 – Existing customers/related parties (more than 6 months) with no defaults in the past.

Group 3 – Existing customers/related parties (more than 6 months) with some defaults in the past.

All defaults were fully recovered.

All other receivables and deposits are substantially with existing counterparties with no history of default.

34 FINANCIAL RISK MANAGEMENT POLICIES

The Group and Company is exposed to market risk (including fuel price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group and Company uses financial instruments such as fuel swaps, interest rate swaps and caps, and foreign currency forwards to mitigate its financial risks.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The management team then establishes detailed policies such as risk identification and measurement, exposure limits and risk management strategies. Financial risk management policies and procedures are reviewed regularly to reflect changes in the market condition and the Group's and Company's activities.

The Group and Company also seeks to ensure that the financial resources that are available for the development of the Group's and Company's businesses are constantly monitored and managed vis-a-vis its ongoing exposure to fuel price, interest rate, foreign currency, credit, liquidity and cash flow risks.

The policies in respect of the major areas of treasury activities are as follows:

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, jet fuel prices and interest rates. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimising the return on risk.

(i) Fuel price risk

The Group and Company are exposed to jet fuel price risk and seek to hedge their fuel requirements using fuel swaps (Note 18). As at 31 December 2014 there were no existing trades that would impact the post-tax profit for the year and equity. If a barrel of jet fuel at 31 December 2014 had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit and equity for the year are as follows:

	Group and Company			
	2014		2013	
	+USD5 RM'mil	-USD5 RM'mil	+USD5 RM'mil	-USD5 RM'mil
Impact on post tax profits	-	-	-	-
Impact on other comprehensive income	53	(53)	1	(1)

(ii) 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 that risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate exposure arises from the Group's and Company's floating rate borrowings and is managed by entering into derivative financial instruments. Derivative financial instruments are used, as far as possible and where appropriate, to generate the desired fixed interest rate profile. Surplus funds are placed with reputable financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

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34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The Group and Company manages its cash flow interest rate risk by entering into a number of immediate interest rate swap contracts and cross currency swap contracts that effectively converts its existing long-term floating rate debt facilities into fixed rate debt (Note 18).

If interest rate on USD denominated borrowings at 31 December 2014 had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the year and equity arising from the cash flow interest rate risk would be minimal when considered with the hedging of the floating rate loans (Note 18).

If interest rate on USD denominated borrowings at 31 December 2014 had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the financial year and equity, as a result of an increase/decrease in the fair value of the interest rate derivative financial instruments under cash flow hedges are tabulated below. The impact on post tax profits arises only from derivative held for trading, and the impact to other comprehensive income arises from derivative designated as hedging instruments:

	Group and Company			
	2014		2013	
	+60bps RM'mil	-60bps RM'mil	+60bps RM'mil	-60bps RM'mil
Impact on post tax profits	15	(15)	21	(21)
Impact on other comprehensive income	71	(75)	80	(87)

The remaining terms of the outstanding interest rate derivative contracts of the Group and Company at 31 December 2014, which are all denominated in USD, are as follows:

	2014 RM'mil	2013 RM'mil
<u>Later than 1 year but less than 5 years:</u>		
Interest rate caps	137	-
Interest rate swaps	688	584
<u>Later than 5 years:</u>		
Interest rate caps	201	358
Interest rate swaps	2,673	2,883
Cross currency interest rate swaps	476	152
	4,175	3,977

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk

The Group and Company is exposed to currency exchange risk. These exposures are managed, to the extent possible, by natural hedges that arise when payments for foreign currency payables are matched against receivables denominated in the same foreign currency or whenever possible, by intragroup arrangements and settlements.

51% (2013: 54%) of USD denominated borrowings are hedged by long dated foreign exchange forward contracts (Note 18).

If RM had weakened/strengthened by 5% against the USD as at 31 December 2014 with all other variables held constant, post-tax profit for the financial year would have been RM339.3 million (2013: RM242.3 million) lower/higher. Similarly, the impact on other comprehensive income would have been RM23.8 million (2013: RM18.5 million) higher/lower due to the cash flow hedging in USD.

If RM had weakened/strengthened by 5% against the RMB as at 31 December 2014 with all other variables held constant, post-tax profit for the financial year would have been RM49.6 million (2013: RM42.4 million) lower/higher.

The exposure to other foreign currency risk of the Group and Company is not material and hence, sensitivity analysis is not presented.

The Group's currency exposure is as follows:

At 31 December 2014	USD	AUD	SGD	RMB and HKD	
	RM'mil	RM'mil	RM'mil	RM'mil	Others
<u>Financial assets</u>					
Receivables	212	7	9	39	57
Amounts due from associates	2,451	-	-	-	-
Amounts due from joint ventures	-	-	17	-	-
Derivative financial instruments	668	-	-	-	-
Amount due from a related party	3	-	-	-	-
Deposits, cash and bank balances	76	8	15	1,031	28
	3,410	15	41	1,070	85
<u>Financial liabilities</u>					
Trade and other payables	131	22	39	18	39
Amount due to associates	139	-	-	-	-
Amounts due to related parties	11	-	-	-	-
Borrowings	10,100	-	202	-	140
Derivative financial instruments	720	-	-	-	-
	11,101	22	241	18	179
Net exposure	(7,691)	(7)	(200)	1,052	(94)

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34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Group's currency exposure is as follows: (continued)

At 31 December 2013	USD	AUD	SGD	RMB and HKD	Others
	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil
<u>Financial assets</u>					
Receivables	161	9	53	9	224
Amounts due from associates	1,298	-	-	-	-
Amounts due from joint ventures	10	-	22	-	-
Derivative financial instruments	239	-	-	-	-
Amount due from a related party	4	-	-	-	-
Deposits, cash and bank balances	188	26	27	923	72
	1,900	35	102	932	296
<u>Financial liabilities</u>					
Trade and other payables	187	4	22	39	41
Amount due to an associate	61	-	-	-	-
Borrowings	8,821	-	210	-	137
Derivative financial instruments	281	-	-	-	-
	9,350	4	232	39	178
Net exposure	(7,450)	31	(130)	893	118

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Company's currency exposure is as follows:

At 31 December 2014	USD	AUD	SGD	RMB and HKD	Others
	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil
<u>Financial assets</u>					
Receivables	154	7	9	39	57
Amounts due from subsidiaries	125	-	-	-	-
Amounts due from associates	2,358	-	-	-	-
Amounts due from joint ventures	-	-	1	-	-
Amount due from related parties	3	-	-	-	-
Derivative financial instruments	668	-	-	-	-
Deposits, cash and bank balances	59	8	15	1,031	28
	3,367	15	25	1,070	85
<u>Financial liabilities</u>					
Trade and other payables	144	22	39	18	39
Amount due to an associate	120	-	-	-	-
Amounts due to related parties	11	-	-	-	-
Borrowings	10,100	-	202	-	140
Derivative financial instruments	720	-	-	-	-
	11,095	22	241	18	179
Net exposure	(7,728)	(7)	(216)	1,052	(94)

NOTES TO THE FINANCIAL STATEMENTS

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34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Company's currency exposure is as follows: (continued)

At 31 December 2013	USD	AUD	SGD	RMB and HKD	Others
	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil
<u>Financial assets</u>					
Receivables	127	9	53	9	224
Amounts due from subsidiaries	178	-	-	-	-
Amounts due from associates	1,168	-	-	-	-
Amounts due from joint ventures	10	-	-	-	-
Amount due from related parties	4	-	-	-	-
Derivative financial instruments	239	-	-	-	-
Deposits, cash and bank balances	118	26	26	923	72
	1,844	35	79	932	296
<u>Financial liabilities</u>					
Trade and other payables	162	4	1	39	41
Amounts due to joint ventures	1	-	-	-	-
Amount due to an associate	61	-	-	-	-
Borrowings	8,821	-	210	-	137
Derivative financial instruments	281	-	-	-	-
	9,326	4	211	39	178
Net exposure	(7,482)	31	(132)	893	118

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's and Company's receivables from customers, cash and cash equivalents and financial assets (derivative instruments).

The Group's and Company's exposure to credit risks or the risk of counterparties defaulting arises mainly from various deposits and bank balances, receivables and derivative financial instruments. As the Group and Company does not hold collateral, the maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet.

Credit risks are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised by monitoring receivables regularly. In addition, credit risks are also controlled as majority of the Group's and Company's deposits and bank balances and derivative financial instruments are placed or transacted with major financial institutions and reputable parties. The Directors are of the view that the possibility of non-performance by the majority of these financial institutions is remote on the basis of their financial strength and support of their respective governments.

The Group and Company generally has no concentration of credit risk arising from trade receivables.

(c) Liquidity and cash flow risk

The Group's and Company's policy on liquidity risk management is to maintain sufficient cash and cash equivalents and to have available funding through adequate amounts of committed credit facilities and credit lines for working capital requirements.

The table below analyses the Group's and Company's payables, non-derivative financial liabilities, gross-settled and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Less than 1 year RM'mil	1 – 2 years RM'mil	2 – 5 years RM'mil	Over 5 years RM'mil
Group				
At 31 December 2014				
Term loans	1,830	1,520	4,753	4,448
Finance lease liabilities	120	121	380	396
Commodity Murabahah Finance	85	85	254	469
Revolving credit	765	-	-	-
Trade and other payables	773	-	-	-
Amounts due to associates	55	-	-	84
Amounts due to related parties	25	-	-	-
	3,653	1,726	5,387	5,397

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34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

	Less than 1 year RM'mil	1 – 2 years RM'mil	2 – 5 years RM'mil	Over 5 years RM'mil
<u>Group</u>				
<u>At 31 December 2013</u>				
Term loans	1,212	1,208	3,999	4,120
Finance lease liabilities	112	112	367	473
Commodity Murabahah Finance	59	58	168	322
Revolving credit	167	-	-	-
Trade and other payables	745	-	-	-
Amount due to an associate	1	-	-	61
Amount due to a related party	15	-	-	-
	2,311	1,378	4,534	4,976
<u>Company</u>				
<u>At 31 December 2014</u>				
Term loans	1,830	1,520	4,753	4,448
Finance lease liabilities	120	121	380	396
Commodity Murabahah Finance	85	85	254	469
Revolving credit	765	-	-	-
Trade and other payables	782	-	-	-
Amounts due to associates	55	-	-	65
Amounts due to related parties	25	-	-	-
	3,662	1,726	5,387	5,378

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

	Less than				Over
	1 year	1 – 2 years	2 – 5 years	5 years	
	RM'mil	RM'mil	RM'mil	RM'mil	
<u>Company</u>					
<u>At 31 December 2013</u>					
Term loans	1,212	1,208	3,999	4,120	
Finance lease liabilities	112	112	367	473	
Commodity Murabahah Finance	59	58	168	322	
Revolving credit	167	-	-	-	
Trade and other payables	660	-	-	-	
Amount due to joint ventures	1	-	-	-	
Amount due to associates	1	-	-	61	
Amount due to a related party	15	-	-	-	
	2,227	1,378	4,534	4,976	

The table below analyses the Group's and Company's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than				Over
	1 year	1 – 2 years	2 – 5 years	5 years	
	RM'mil	RM'mil	RM'mil	RM'mil	
<u>Group and Company</u>					
<u>At 31 December 2014</u>					
Net-settled derivatives					
Trading	28	20	27	3	
Hedging	529	55	60	5	
Gross-settled derivatives					
Trading – outflow	-	-	-	-	
Trading – inflow	-	-	-	-	

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34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

	Less than 1 year RM'mil	1 – 2 years RM'mil	2 – 5 years RM'mil	Over 5 years RM'mil
<u>Group and Company</u>				
<u>At 31 December 2013</u>				
Net-settled derivatives				
Trading	29	25	31	2
Hedging	68	57	70	3
Gross-settled derivatives				
Trading – outflow	47	-	-	-
Trading – inflow	(46)	-	-	-

(d) Capital risk management

The Group's and Company's objectives when managing capital are to safeguard the Group's and Company's ability to continue as a going concern and to maintain an optimal capital structure so as to provide returns for shareholders and benefits for other stakeholders.

In order to optimise the capital structure, or the capital allocation amongst the Group's and Company's various businesses, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, take on new debts or sell assets to reduce debt.

The Group's and Company's overall strategy remains unchanged from 2013.

Consistent with others in the industry, the Group and Company monitors capital utilisation on the basis of the gearing ratio. This ratio is calculated as total debts divided by total capital. Total debts are calculated as total borrowings (including "short term and long term borrowings" as shown in the Group's and Company's balance sheet). Total capital is calculated as the sum of "equity attributable to equity holders of the Group and Company" as shown in the balance sheet and net debts.

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(d) Capital risk management (continued)

The gearing ratio as at 31 December 2014 and 31 December 2013 was as follows:

	Group		Company	
	2014 RM'mil	2013 RM'mil	2014 RM'mil	2013 RM'mil
Total borrowings (Note 25)	12,728	10,171	12,728	10,171
Less: Cash and cash equivalents	(768)	(1,195)	(750)	(1,121)
Net debt	11,960	8,976	11,978	9,050
Total equity attributable to equity holders of the Group and Company	4,555	5,001	4,221	4,694
	16,515	13,977	16,199	13,744
Gearing ratio	72.4%	64.2%	73.9%	65.8%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2014 and 31 December 2013.

(e) Fair value measurement

The carrying amounts of cash and cash equivalents, trade and other current assets, and trade and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

Determination of fair value and fair value hierarchy

The Group's and Company's financial instruments are measured in the statement of financial position at fair value. Disclosure of fair value measurements are by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy (continued)

The following table presents the Group and Company's assets and liabilities that are measured at fair value.

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
Group				
31 December 2014				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	62	-	62
Derivatives used for hedging	-	606	-	606
Available-for-sale financial assets				
- Other investments	385	-	-	385
	385	668	-	1,053
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	76	-	76
Derivatives used for hedging	-	644	-	644
	-	720	-	720
31 December 2013				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	37	-	37
Derivatives used for hedging	-	202	-	202
Available-for-sale financial assets				
- Other investments	562	-	10	572
	562	239	10	811
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	86	-	86
Derivatives used for hedging	-	195	-	195
	-	281	-	281

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy (continued)

The following table presents the Group and Company's assets and liabilities that are measured at fair value. (continued)

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
Company				
31 December 2014				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	62	-	62
Derivatives used for hedging	-	606	-	606
Available-for-sale financial assets				
- Other investments	385	-	-	385
	385	668	-	1,053
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	76	-	76
Derivatives used for hedging	-	644	-	644
	-	720	-	720
31 December 2013				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	37	-	37
Derivatives used for hedging	-	202	-	202
Available-for-sale financial assets				
- Other investments	562	-	-	562
	562	239	-	801
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	86	-	86
Derivatives used for hedging	-	195	-	195
	-	281	-	281

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and Company then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain bonds, government bonds, corporate debt securities, repurchase and reverse purchase agreements, loans, credit derivatives, certain issued notes and the Group's and Company's over the counter ("OTC") derivatives. Specific valuation techniques used to value financial instruments includes:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- The fair value of fuel swap contracts is determined using forward fuel price at the balance sheet date, with the resulting value discounted back to present value.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques, including discounted cash flow projections.

35 UNCONSOLIDATED STRUCTURED ENTITIES

The Company has set up Merah entities, special purpose companies ("SPC") pursuant to aircraft related borrowings obtained from various financial institutions. Under the arrangement, the Company enters into an Aircraft Instalment Sale Agreement with the SPC, permitting the Company to possess and operate each of the Airbus A320 aircraft financed under the facility.

The SPC are orphan trust companies in which the Company has no equity interest. The SPC do not incur any losses or earn any income during the financial year ended 31 December 2014. The aircraft and the corresponding term loans and finance costs associated with the SPC have been recognised by the Group and Company upon the purchase of the aircraft.

The Group and Company does not provide any financial support to the SPC or have any contractual obligation to make good the losses, if any.

35 UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

The details of the Merah entities are as follows:

Name	Country of incorporation	Purpose
Merah Satu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tiga Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Empat Sdn Bhd	Malaysia	Aircraft financing special purpose company
Merah Lima Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Enam Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tujuh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Sembilan 9M-AFX Sdn Bhd	Malaysia	Aircraft financing special purpose company
Merah Sepuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Sebelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duabelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigabelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Empatbelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Enambelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Lapanbelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhsatu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhtiga Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhlima Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhtujuh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhlapan Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhsembilan Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhtiga Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhempat Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhhenam Limited	Labuan, Malaysia	Aircraft financing special purpose company

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

36 SUBSEQUENT EVENT

On 16 February 2015, the Company, through its wholly-owned subsidiary, AAE, entered into a Share Purchase Agreement with Expedia Inc. and Expedia Southeast Asia Pte. Ltd. to divest 6,144,280 ordinary shares of SGD1.00 each in AAE Travel, for a consideration of USD93.75 million (approximately RM347 million). The sale was completed on 10 March 2015, resulting in a gain on disposal of approximately RM321 million. Subsequent to the divestment, the Company's equity stake in AAE Travel was reduced to 25% and the investment in AAE Travel will be reclassified from an investment in joint venture to an investment in associate.

37 RECLASSIFICATION OF COMPARATIVES

In the financial year ended 31 December 2014, the presentation of the income statement was changed to better reflect the performance of the Group and the Company as follows:

	Group			Company		
	As previously reported 31.12.2013	Effects of reclassification	As restated 31.12.2013	As previously reported 31.12.2013	Effects of reclassification	As restated 31.12.2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Income statement</u>						
Other gains/(loss) - net	92,689	(92,689)	-	92,689	(92,689)	-
Finance income	64,208	48,112	112,320	64,192	48,112	112,304
Foreign exchange losses	(397,795)	44,577	(353,218)	(397,795)	44,577	(353,218)

38 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES LISTING REQUIREMENT

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with the Guidance on Special Matter No.1 – Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained earnings of AirAsia Berhad and its subsidiaries:				
- Realised	2,906,177	2,358,327	2,633,804	2,114,139
- Unrealised	(91,609)	512,256	(91,712)	506,431
	2,814,568	2,870,583	2,542,092	2,620,570
Total share of accumulated gains from associated companies:				
- Realised	3,521	33,228	-	-
Total share of accumulated gains from joint ventures				
- Realised	79,946	22,680	-	-
Total retained earnings as per consolidated financial statements	2,898,035	2,926,491	2,542,092	2,620,570

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

STATEMENT BY DIRECTORS

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

We, Datuk Kamarudin Bin Meranun and Aireen Omar, being two of the Directors of AirAsia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 25 to 120 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2014 and of the results and the cash flows of the Group and Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

The information set out in Note 38 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

In accordance with a resolution of the Board of Directors dated 22 April 2015.



DATUK KAMARUDIN BIN MERANUN
DIRECTOR



AIREEN OMAR
DIRECTOR

STATUTORY DECLARATION

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

I, Rozman Bin Omar, the Officer primarily responsible for the financial management of AirAsia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 25 to 120 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

ROZMAN BIN OMAR

Subscribed and solemnly declared by the abovenamed Rozman Bin Omar at Kuala Lumpur in Malaysia on 22 April 2015, before me.

COMMISSIONER FOR OATHS



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AIRASIA BERHAD (INCORPORATED IN MALAYSIA) (COMPANY NO. 284669 W)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AirAsia Berhad on pages 25 to 120, which comprise the balance sheets as at 31 December 2014 of the Group and of the Company, and the statements of income, statements of 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 a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 37.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

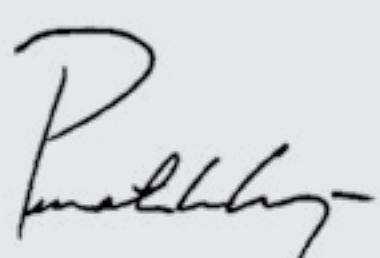
- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 9 to the financial statements.
- c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 38 on page 121 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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



PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants



IRVIN GEORGE LUIS MENEZES
(No. 2932/06/16 (J))
Chartered Accountant

Kuala Lumpur
22 April 2015

ANALYSIS OF SHAREHOLDINGS

AS AT 17 APRIL 2015

DISTRIBUTION OF SHAREHOLDINGS

Class of shares : Ordinary shares of RM0.10 each ("Shares")
 Voting rights : One vote per ordinary share

Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	114	0.47	1,619	0.00
100 – 1,000	7,012	28.96	5,942,680	0.21
1,001 – 10,000	13,438	55.49	56,931,411	2.05
10,001 – 100,000	2,847	11.76	84,663,564	3.04
100,001 to less than 5% of issued shares	803	3.31	2,153,256,906	77.37
5% and above of issued shares	2	0.01	482,177,900	17.33
	24,216	100.00	2,782,974,080	100.00

SUBSTANTIAL SHAREHOLDERS

The direct and indirect shareholdings of the shareholders holding more than 5% in AirAsia Berhad ("AirAsia") based on the Register of Substantial Shareholders are as follows:-

Name	Direct		Indirect	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tune Air Sdn Bhd ("TASB")	531,212,082 ⁽¹⁾	19.09	-	-
Tan Sri Dr. Anthony Francis Fernandes	1,600,000 ⁽²⁾	0.06	531,212,082 ⁽³⁾	19.09
Datuk Kamarudin Bin Meranun	2,000,000 ⁽²⁾	0.07	531,212,082 ⁽³⁾	19.09
Employees Provident Fund Board	187,677,900 ⁽⁴⁾	6.74	25,721,100 ⁽⁵⁾	0.92
Wellington Management Company LLP	155,613,678 ⁽⁶⁾	5.59	-	-
Wellington Management International, Ltd	164,758,160 ⁽⁷⁾	5.92	-	-
Wellington Management Group LLP	-	-	388,811,771 ⁽⁸⁾	13.97
Wellington Group Holdings LLP	-	-	388,811,771 ⁽⁸⁾	13.97
Wellington Investment Advisors Holdings LLP	-	-	388,811,771 ⁽⁸⁾	13.97
Wellington Management Global Holdings, Ltd	-	-	233,198,093 ⁽⁸⁾	8.38

NOTES:

- (1) Shares held under own name, HSBC Nominees (Tempatan) Sdn. Bhd., Amsec Nominees (Tempatan) Sdn. Bhd., Kenanga Capital Sdn. Bhd., MIDF Amanah Investment Nominees (Tempatan) Sdn. Bhd., Cimsec Nominees (Tempatan) Sdn. Bhd., Citigroup Nominees (Tempatan) Sdn. Bhd and RHB Nominees (Tempatan) Sdn. Bhd.
- (2) Shares held under HSBC Nominees (Tempatan) Sdn. Bhd.
- (3) Deemed interested by virtue of Section 6A of the Companies Act, 1965 ("the Act") through a shareholding of more than 15% in TASB.
- (4) Shares held under own name (1,500,000 shares) and Citigroup Nominees (Tempatan) Sdn. Bhd. (186,177,900 shares).
- (5) Shares held under Citigroup Nominees (Tempatan) Sdn. Bhd.
- (6) Shares held under Cartaban Nominees (Asing) Sdn. Bhd., HSBC Nominees (Asing) Sdn. Bhd., JP Morgan Chase Bank N.A., Mellon Bank N.A. and RBC Dexia Investor Services.
- (7) Shares held under Cartaban Nominees (Asing) Sdn. Bhd., Danske Bank A/S, Citigroup Nominees (Asing) Sdn. Bhd., HSBC Nominees (Asing) Sdn. Bhd., JP Morgan Chase Bank N.A., Mellon Bank N.A. and RBC Dexia Investor Services.
- (8) Wellington Management Company LLP is a direct controlled undertaking of Wellington Investment Advisors Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Group Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Management Group LLP.

Wellington Management International, Ltd is a direct controlled undertaking of Wellington Management Global Holdings, Ltd., which, in turn, is a direct controlled undertaking of Wellington Investment Advisors Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Group Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Management Group LLP.

Wellington Management Singapore Pte Ltd (37,877,123 shares) is a direct controlled undertaking of Wellington Management Global Holdings, Ltd., which, in turn, is a direct controlled undertaking of Wellington Investment Advisors Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Group Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Management Group LLP.

Wellington Management Hong Kong Ltd (30,562,810 shares) is a direct controlled undertaking of Wellington Management Global Holdings, Ltd., which, in turn, is a direct controlled undertaking of Wellington Investment Advisors Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Group Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Management Group LLP.

ANALYSIS OF SHAREHOLDINGS

AS AT 17 APRIL 2015

DIRECTORS' SHAREHOLDINGS

The interests of the Directors of AirAsia in the Shares and options over shares in the Company and its related corporations based on the Company's Register of Directors' Shareholdings are as follows:-

	Direct		Indirect	
	No. of Shares Held	% of Issued Shares	No. of Shares held	% of Issued Shares
Tan Sri Dr. Anthony Francis Fernandes	1,600,000 ⁽¹⁾	0.06	531,212,082 ⁽²⁾	19.09
Datuk Kamarudin Bin Meranun	2,000,000 ⁽¹⁾	0.07	531,212,082 ⁽²⁾	19.09
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	105,000 ⁽³⁾	-*	-	-
Dato' Fam Lee Ee	-	-	-	-
Aireen Omar	-	-	-	-
Robert Aaron Milton	100,000 ⁽⁴⁾	-*	-	-
Amit Bhatia	-	-	-	-
Uthaya Kumar A/L K Vivekananda	-	-	-	-

NOTES:

* Negligible.

⁽¹⁾ Shares held under HSBC Nominees (Tempatan) Sdn. Bhd.

⁽²⁾ Deemed interested by virtue of Section 6A of the Act through a shareholding of more than 15% in TASB.

⁽³⁾ Shares held under Cimsec Nominees (Tempatan) Sdn. Bhd. and RHB Capital Nominees (Tempatan) Sdn. Bhd.

⁽⁴⁾ Shares held under HDM Nominees (Asing) Sdn. Bhd.

LIST OF TOP 30 LARGEST SHAREHOLDERS

Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1. HSBC Nominees (Tempatan) Sdn. Bhd. <i>Credit Suisse HK for Tune Air Sdn. Bhd.</i>	296,000,000	10.64
2. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Employees Provident Fund Board</i>	186,177,900	6.69
3. HSBC Nominees (Asing) Sdn. Bhd. <i>NTGS LDN for Skagen Kon-Tiki Verdipapirfond</i>	108,497,800	3.90
4. Cimsec Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tune Air Sdn. Bhd. (EDG&GCM)</i>	92,422,203	3.32
5. CIMB Group Nominees (Tempatan) Sdn. Bhd. <i>CIMB Bank Berhad (EDP 2)</i>	69,084,000	2.48
6. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account-Bank Julius Baer & Co Ltd for Tune Air Sdn. Bhd. (CB SG)</i>	65,500,000	2.35
7. HSBC Nominees (Asing) Sdn. Bhd. <i>Exempt An for The Bank of New York Mellon (Mellon Acct)</i>	54,763,450	1.97
8. Cartaban Nominees (Asing) Sdn. Bhd. <i>SSBT Fund HFLR for The Hartford Capital Appreciation Fund</i>	45,597,300	1.64
9. Cartaban Nominees (Asing) Sdn. Bhd. <i>SSBT Fund HG05 for The New Economy Fund</i>	45,583,400	1.64
10. Amanahraya Trustees Berhad <i>Skim Amanah Saham Bumiputera</i>	44,498,500	1.60
11. HSBC Nominees (Asing) Sdn. Bhd. <i>HSBC BK Plc for Saudi Arabian Monetary Agency</i>	43,131,100	1.55
12. DB (Malaysia) Nominee (Asing) Sdn. Bhd. <i>SSBT Fund Y72J for Litman Gregory Masters International Fund</i>	41,593,794	1.49
13. Kenanga Capital Sdn. Bhd. <i>Pledged securities account for Tune Air Sdn. Bhd.</i>	38,205,310	1.37
14. CIMB Group Nominees (Tempatan) Sdn. Bhd. <i>Exempt An for Khazanah Nasional Berhad (VCAM)</i>	37,000,000	1.33
15. Cartaban Nominees (Asing) Sdn. Bhd. <i>Exempt An for State Street Bank & Trust Company (West CLT OD67)</i>	31,908,800	1.15

ANALYSIS OF SHAREHOLDINGS

AS AT 17 APRIL 2015

LIST OF TOP 30 LARGEST SHAREHOLDERS (CONTINUED)

Name of Shareholders	No. of Shares Held	% of Issued Share Capital
16. HSBC Nominees (Asing) Sdn. Bhd. <i>Exempt An for JPMorgan Chase Bank, National Association (U.K.)</i>	31,690,317	1.14
17. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Exempt An for AIA Bhd.</i>	30,908,300	1.11
18. HSBC Nominees (Asing) Sdn. Bhd. <i>HSBC-FS P for HSBC Pooled Asia Pacific EX Japan Equity Fund</i>	27,698,500	1.00
19. Cartaban Nominees (Asing) Sdn. Bhd. <i>SSBT Fund HF1 for Hartford Capital Appreciation HLS Fund</i>	26,590,800	0.96
20. Citigroup Nominees (Asing) Sdn. Bhd. <i>CBNY for Dimensional Emerging Markets Value Fund</i>	26,192,000	0.94
21. Cimsec Nominees (Tempatan) Sdn. Bhd. <i>CIMB Bank for Tune Air Sdn. Bhd. (M1566A)</i>	25,000,000	0.90
22. Cartaban Nominees (Asing) Sdn. Bhd. <i>SSBT Fund HG22 for SMALLCAP World Fund, Inc.</i>	24,750,000	0.89
23. HSBC Nominees (Asing) Sdn. Bhd. <i>NTGS LDN for Skagen VEKST Verdipapirfond</i>	24,244,100	0.87
24. HSBC Nominees (Asing) Sdn. Bhd. <i>BBH and Co Boston for Emerging Markets Opportunities Portfolio (WTC CTF)</i>	23,340,964	0.84
25. HSBC Nominees (Asing) Sdn. Bhd. <i>BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund</i>	21,896,548	0.79
26. HSBC Nominees (Asing) Sdn. Bhd. <i>Exempt An for JPMorgan Chase Bank, National Association (Australia)</i>	21,890,770	0.79
27. Cartaban Nominees (Asing) Sdn. Bhd. <i>GIC Private Limited for Government of Singapore (C)</i>	19,384,500	0.70
28. Cartaban Nominees (Asing) Sdn. Bhd. <i>Exempt An for RBC Investor Services Trust (Clients Account)</i>	19,335,860	0.69
29. HSBC Nominees (Asing) Sdn. Bhd. <i>Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)</i>	18,712,115	0.67
30. HSBC Nominees (Asing) Sdn. Bhd. <i>Exempt An for JPMorgan Chase Bank, National Association (Rep of China)</i>	18,116,700	0.65

LIST OF PROPERTIES HELD

Owner of building	Postal address/ location of building	Description/ existing use of building	Tenure/date of expiry of lease	Build-up area	Approximate age of building	Audited net book value as at 31 December 2014 (RM'000)
AirAsia Berhad	Taxiway Charlie, KLIA (part of PT39 KLIA, Sepang) <i>See Note 1</i>	Non permanent structure/aircraft maintenance hangar	<i>See Note 2</i>	2,400 sqm	11 years and 5 months	1,605

- (1) On the fitness of occupation of the hangar, it is the subject of a year-to-year "Kelulusan Permit Bangunan Sementara" issued by the Majlis Daerah Sepang.
- (2) The land area occupied is approximately 2,400 square meters. The land is owned by Malaysia Airports (Sepang) Sdn. Bhd. ("MAB") and the Company has an automatic renewal of tenancy on a month to month basis. Revaluation of properties has not been carried out on any of the above properties to date.

SALES OFFICES & STATIONS

BRUNEI DARUSSALAM

BANDAR SERI BEGAWAN

- Unit 4, Departure Hall
Brunei International Airport
Jalan Lapangan Terbang Antarabangsa
Bandar Seri Begawan BB2513

CAMBODIA

PHNOM PENH

- Phnom Penh Airport
17 Mezzanine Floor
Arrival Domestic Terminal
- 179 Street Sisowath
Sangkat Phsar Kandal 1
Khan Daun Penh
12204 Phnom Penh
- Ground Floor, #132
Street Samdach Sothearoos

CHINA

MACAU

- Macau International Airport Taipa
Office 20, Mezzanine Level
Passenger Terminal

GUANGDONG

- Century Holiday International Travel Service (Shenzhen) Co Ltd
XY-10 Junting Hotel, 2085 Eastern Road
Luo Hu, Shenzhen 518001
- Century Holiday International Travel Service (Guangzhou) Co Ltd
First Floor, No 8 Zhong Shan 3 Road
Guangzhou 510000
- Century Holiday International Travel Service (Guangzhou) Co Ltd
Shop 105-2, No 50 Ti Yu Road West
Tian He District, Guangzhou

BEIJING

- Century Holiday International Travel Service (Beijing) Co Ltd
No 163A Yi Floor, No 6 Chaowai Street
Chao Yang District, Beijing 100022

CHENGDU

- Century Holiday International Travel Service (ChengDu) Co Ltd
No 172-5 Binjang East Road
Jinjang District, Chengdu

SHANGHAI

- Century Holiday International Travel Service (Shanghai) Co Ltd
No 739, Changde Road
Jing'an District, Shanghai

YUNNAN

- Century Holiday International Travel Service (Kunming) Co Ltd
No 1108 Huancheng South Road
Kunming, Yunnan

HANGZHOU

- Hangzhou Nota Travel Service Co Ltd
Room 201, Huaxing Century Building
No 317 Wantang Road, Hangzhou

INDONESIA

BANDA ACEH

- Sultan Iskandar Muda International Airport, Jl Banda Aceh Blang Bintang
Kode Pos 23372
Nangroe Aceh Daroesalam

DENPASAR, BALI

- Terminal Keberangkatan Domestik Lantai 1
Bandara Internasional Ngurah Rai – Denpasar
Badung – Bali 80361
- Sun Boutique Hotel
Jl Sunset Road No 23, Bali

BALIKPAPAN

- Mezzanine Floor –
Sultan Aji Muhammad Sulaiman
Jl Marsma R. Iswahyudi
Sepinggan, Balikpapan

BANDUNG

- Husein Sastranegara Airport
Jl Pajajaran No 156, Bandung
Jawa Barat 40173
- Hotel Grand Serella
Jl L.L.R.E. Martadinata (RIAU) No 56
Bandung, Jawa Barat 40271

JAKARTA

- Soekarno – Hatta International Airport
Terminal 3 – Cengkareng / Jakarta
Jawa Barat
- Jl Boulevard Raya, Blok LA 4
No 10 Kelapa Gading
14200 Jakarta Utara
- Komp Rukan Dharmawangsa
No 43 Jl Dharmawangsa VI
Jakarta Selatan
- Sarinah Plaza (LG level)
No 11 Jl Mh Thamrin
Jakarta Pusat
- Office Management Building
Jl Marsekal Suryadharma (M1)
No 1 Kel Selapajang Jaya
Kec. Neglasari Kota Tanggerang
- Counter Railink Station Medan
Jl Stasiun No 1 Zona A
No Ruangan A-7 Lantai 2
City Railway Station (CRS), Medan 20111

LOMBOK

- Lombok International Airport
Departure Hall
Bypass Tanak Awu Praya Lombok

MAKASSAR

- Sultan Hasanuddin International Airport
Departure Terminal
Makassar, South Sulawesi

MEDAN

- Ticketing Sales Lounge
Arrival International Lt. 1
Kuala Namu International Airport, Medan
- Garuda Plaza Hotel, Lobby Level
Jl Sisingamanga Raja No 18
Medan – Sumatera Utara 20213

PADANG

- Minangkabau International Airport
Jl Mr Sultan Muhammad Rasyid
Padang Pariaman, Sumatera Barat 25585

PALEMBANG

- Sultan Mahmud Badaruddin II
International Airport
Jl Tanjung Api-api No 1
Palembang 30155

PEKANBARU

- Bandara Sultan Syarif Kasim II
Simpang Tiga, Pekanbaru
Riau 28452

PONTIANAK

- Supadio International Airport
Jl Arteri Supadio, Pontianak
Kalimantan Barat

SEMARANG

- Ahmad Yani International Airport
Jl Puad A. Yani Semarang, Jawa Tengah

SOLO

- Adisumarmo International Airport,
Surakarta 57108

SURABAYA

- Juanda International Airport
Terminals 1 & 2
Sidoarjo – Jawa Timur 60261
- Grand CircleTunjungan Plaza 3 Lt. 1
Jl Basuki Rahmat 08-12
Surabaya – Jawa Timur 60261

YOGYAKARTA

- PT Indonesia Airasia Bandara Adi Sutjipto
Jl Solo Km 9 Maguwoharjo Depok
Sleman, Yogyakarta
- JI HOS Cokroaminoto No 119 C
Yogyakarta

MALAYSIA

JOHOR

- Tune Hotel, Danga Bay, Johor Bahru
Lot PTB 22819, Jalan Skudai
Mukim Bandar Johor Bahru
80200 Johor Bahru
- Senai International Airport
Lot S7, 81250 Johor Bahru
- No 26 Jalan Meriam, 84000 Muar
- No 7, Jalan Bestari 1/5
Taman Nusa Bestari
79100 Bandar Nusajaya
- Kluang Mall, Lot GK-01
Ground Floor, Jalan Rambutan
Bandar Kluang, 86000 Kluang

KEDAH

- Lapangan Terbang Sultan Abdul Halim
Aras 1, 06550 Kepala Batas
Alor Setar
- Langkawi International Airport
Padang Mat Sirat
07100 Langkawi
- No 68-B Ground Floor, Jalan Ibrahim
08000 Sungai Petani

KUALA LUMPUR

- KL Sentral, Lot 4, Level 2
Stesen Sentral Kuala Lumpur
50470 Kuala Lumpur
- Plaza Berjaya, Lot G 027B, Ground Floor
Podium Block, 12 Jalan Imbi
55100 Kuala Lumpur
- No 71 Jalan Metro Perdana Barat
1 Taman Usahawan Kepong
52100 Kuala Lumpur
- Wisma Paradise, Ground Floor
No 63 Jalan Ampang
50450 Kuala Lumpur

KELANTAN

- Lapangan Terbang Sultan Ismail Petra
Pengkalan Chepa, 16100 Kota Bharu

PERAK

- Pi Hotel, No 2, Ground Floor, The Host
Jalan Veerasamy, 30000 Ipoh

TERENGGANU

- Sultan Mahmud Airport
Level 1, Terminal Building
21300 Kuala Terengganu

LABUAN

- Labuan Airport Terminal, Level 1
87008 Wilayah Persekutuan Labuan

NEGERI SEMBILAN

- No 11, Jalan Era Square 2
Era Square, 70200 Seremban

PENANG

- Penang International Airport
Bayan Lepas, 11900 Penang
- Ground Floor, Kim Mansion
332 Chulia Street, 10200 Penang
- No 723 L-G, Jln Sungai Dua
11700 Penang
- A-G-07 Jalan Todak 4
Sunway Business Park
Seberang Perai, 13700 Penang

SABAH

- Sandakan Airport
Lots 1&2, First Floor
Airport Main Terminal Building
90000 Sandakan
- Tawau Airport Building
FL4, First Floor, Jalan Apas-Balung
91100 Tawau
- Istana Monaco Hotel
TB228, Lot 5, Ground Floor
Fajar Complex, Jalan Bunga
91000 Tawau
- Wisma Sabah
Lot G24, Ground Floor
Jln Tun Razak, 88000 Kota Kinabalu
- Kota Kinabalu International Airport
Ground Floor, Terminal 2
Old Airport Road, Tanjung Aru
88100 Kota Kinabalu
- Plaza USIA Building
Jalan Teratai, MDLD 7084
91100 Lahad Datu

SALES OFFICES & STATIONS

SARAWAK

- Bintulu Airport, GL02, Ground Floor
97000 Bintulu
- Miri Airport, Ground Floor, Lot G08
Public Concourse, Terminal Building
98000 Miri
- Lot 946, Jalan Parry, 98000 Miri
- Wisma Ho Ho Lim, 291 Sub Lot 4
Ground Floor, Jalan Abell
93100 Kuching
- Sibu Airport, GFLO1, Ground Floor
96000 Sibu
- No 36 Jalan Keranji, Ground Floor
96000 Sibu
- Parkcity Commercial Sq
Phase 5, Lot 4034, Ground Floor
Jln Tun Ahmad Zaidi, 97000 Bintulu
- Synergy Square
(Matang Jaya Commercial Centre)
Lot 6813, Ground Floor, Jalan Matang Jaya
93050 Kuching
- Kuching International Airport
Lot L1L C15, Ground Floor
Arrival Level, Kuching

SELANGOR

- SkyPark Lapangan Terbang
Sultan Abdul Aziz Shah Airport
G2 Ground Floor, 47200 Subang
- Kuala Lumpur International Airport
Jalan KLIA S3, Southern Support Zone
64000 Sepang
- AirAsia Sales Office, klia2
LS2-3-03, Departure Level
Public Concourse, Sepang
- Mydin Mall USJ 1
Lot-35, Persiaran Subang Permai USJ1
47500 Subang Jaya
- Plaza Metro Kajang
Lot S141, Second Floor, Section 7
Jalan Tun Abdul Aziz, 43000 Kajang
- Wisma Thrifty
Lot 3B, Ground Floor
No 19 Jalan Barat (opposite PJ Hilton)
46200 Petaling Jaya

MYANMAR

YANGON

- Yangon International Airport
- No 37, Level 1, Room-111
La Pyae Wun Plaza, Alanpya Pagoda Road
Dagon Township, Yangon

MANDALAY

- No 3, 26 (B) Road
(between 78th and 79th Street), Mandalay

PHILIPPINES

CAGAYAN DE ORO

- Laguindingan International Airport
Brgy Moog, Laguindingan
Misamis Oriental
- DIMDI, J.R. Borja St, Cagayan de Oro City

CLARK

- Tune Hotel, Don Juico Avenue
Angeles City, Pampanga

CEBU

- West Wing Domestic Area
Mactan Cebu Int'l Airport, Pusok
Lapu Lapu City
- Third Floor Service Lane, Elizabeth Mall
N. Bacalso Ave. Cebu City

MANILA

- NAIA Terminal 4, Domestic Road
Pasay City
- G/F Colonnade Residences
132 C Palanca Street, Legaspi Village
Makati City
- Unit 126 South Parking Building
SM Mall of Asia Complex
- JW Diokno Boulevard, Pasay City
- Unit 108 SM City North Edsa –The Block
SM City Complex, North Edsa, Pag-Asa 1
Quezon City

DAVAO

- Francisco Bangoy International Airport
Buhangin, Davao City
- 2/L Victoria Plaza, JP Laurel Avenue
Davao City

KALIBO

- 1880 D Maagma St, Kalibo, Aklan

TAGBILARAN

- Talibon Commercial Center 1
Talibon, Bohol
- Airport Building, Second Floor
Airport Road, Tagbilaran City, Bohol

PUERTO PRINCESA

- Bgy Banca-Bancao, Airport Compound
Puerto Princesa City

TACLOBAN

- DZR Airport, San Jose Tacloban City

SINGAPORE

- Singapore Changi Airport, Terminal 1
Rows 13 & 14, Departure Level 2

SRI LANKA

COLOMBO

- Setmil Aviation (Pvt) Ltd, Ground Floor
Setmil Maritime Centre
256 Srimath Ramanathan Mawatha
Colombo 15

THAILAND

BANGKOK

- 127 Tanao Road, Phra Nakorn
Bangkok 10200
- Suvarnabhumi International Airport
Room A1-062 Ground Floor, Concourse A
Bangna-Trad Road, Racha Teva, Bang Pli
Samutprakarn 10540
- Tesco Lotus – Bangkapi, Second Floor
3109 Ladpro Road, Bangkapi
Bangkok 10240
- Tesco Lotus – Rama 1, Third Floor
831 Rama 1 Road, Wangmai, Pathumwan
Bangkok 10330
- Tesco Lotus – Rangsit, Second Floor
392/4, Moo 2, Phaholyothin Road
Thanyaburi, Pathumthani 12130
- Tesco Lotus – Sukhumvit 50, First Floor
1710 Sukhumvit Road, Klong Toey
Bangkok 10110
- Tesco Lotus – Lad Prao, Second Floor
1190 Phahonyothin Road, Jompol
Jatujak, Bangkok 1090

CHIANG MAI

- Chiangmai International Airport
60 First Floor, Tambol Sutep
Amphur Muang, Chiang Mai 50200
- 416 Thaphae Road, Chiang Mai
- Tesco Lotus – Chiang Mai Kamtieng Second Floor, 19 Kamtieng Road Patan Sub District, Muang District Chiang Mai 50340

CHIANG RAI

- Chiang Rai International Airport
2305/2 404 Moo 10, Tambol Bandu Amphur Muang, Chiang Rai 57100

HAT YAI

- Hat Yai International Airport
125 Moo 3 Klongla, Klonghoikong Songkhla 90115
- Tesco Lotus – Hat Yai, First Floor
1142, Kanchanawit Road, Hat Yai Songkhla 90115

KRABI

- Krabi International Airport Room No 133
Moo 5, Petchakasem Rd
Nuaklong Sub District,
Nuaklong District, Krabi 81130

NAKHON PHANOM

- Nakhon Phanom Airport Level 1
40 M.6 Nittayo Road, Photak District
Nakhon Phanom 48000

NAKORN SI THAMMARAT

- Nakorn Si Thammarat Airport
Muang District
Nakorn Si Thammarat

NARATHIWAT

- Narathiwat Airport, 330 Moo 5
Tambol Kok-Kian, Amphur Muang
Narathiwat 96000

PHUKET

- Phuket International Airport
312 Third Floor, Tambol Maikao
Amphur Thalang, Phuket 83110
- Unit 9, Laflora Patong Area
No 39, 39/1 Thaveewong Rd
Patong, Kratoo, Phuket

- Tesco Lotus – Phuket, Second Floor
104 Chalermpriyat Road
Rasada Sub District, Muang District
Phuket 83000

SURAT THANI

- Surat Thani International Airport
73 Moo 3, Tambol Huatuey
Amphur Punpin, Surat Thani

TRANG

- Trang Airport House No 170
Village No 12, Trang-Paleian Road
Koklor Sub-District
Mueang Trang District, Trang 92000

UBON RATCHATHANI

- Ubon Ratchathani Airport
297 Ubon Ratchathani Airport
Thepyotee Road, Amphur Nai Muang
Ubon Ratchathani 34000

UDON THANI

- Udon Thani International Airport
224 Moo 1, Tambol Makkhang
Amphur Muang, Udon Thani 41000

PATTAYA

- Tesco Lotus – South Pattaya, Second Floor
408/2 Moo 12, South Pattaya
Sukhumvit Rd, Nongprue
Banglamung, Chonburi 20150

VIETNAM

HANOI

- Noi Bai Airport, Terminal 1
International Departure Hall
Third Floor, Hanoi
- 55 Nam Ngu, Cua Nam Ward
Hoan Kiem District, Hanoi

HO CHI MINH CITY

- Tan Son Nhat International Airport
Room #1.4.19, Ho Chi Minh City
- 84B Bui Vien, District 1, Ho Chi Minh City

CALL CENTRES

Australia
1300 760 330

China
+86 512 8555 7711
India
1860 500 8000

Indonesia
+62 21 2927 0999
+62 804 1333 333

Japan
0120 963 516

Jeddah
+966 800 844 9458
+966 800 850 0001
(For guests using Zain as
their telco service provider)

Hong Kong
+852 3013 5060

Macau
+853 6262 6352

Malaysia
600 85 8888
(AirAsia X Premium Line,
chargeable at RM1.95 per minute)

Philippines
+63 2 742 2742

Singapore
+65 6307 7688
(AirAsia X Premium Line)

South Korea
00798 1420 69940

Taiwan
+886 2 8793 3532

Thailand
+66 2 515 9999

GLOSSARY

AirAsia Berhad	"The Company" or "AirAsia".
Aircraft at end of period	Number of aircraft owned or on lease arrangements of over one month's duration at the end of the period.
Aircraft utilisation	Average number of block hours per day per aircraft operated.
Available Seat Kilometres (ASK)	Total seats flown multiplied by the number of kilometres flown.
Average fare	Passenger seat sales, surcharges and fees divided by number of passengers.
Block hours	Hours of service for aircraft, measured from the time that the aircraft leaves the terminal at the departure airport to the time that it arrives at the terminal at the destination airport.
Capacity	The number of seats flown.
Cost per ASK (CASK)	Revenue less operating profit divided by available seat kilometres.
Cost per ASK, excluding fuel (CASK ex fuel)	Revenue less operating profit and aircraft fuel expenses, divided by available seat kilometres.
Load factor	Number of passengers as a percentage of capacity.
Passengers carried	Number of earned seats flown. Earned seats comprises seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel.
Revenue per ASK (RASK)	Revenue divided by available seat kilometres.
Revenue Passenger Kilometres (RPK)	Number of passengers multiplied by the number of kilometres those passengers have flown.
Stage	A one-way revenue flight.

FORM OF PROXY

AIRASIA BERHAD
 (Company No.: 284669-W)
 Incorporated in Malaysia



I/We _____ NRIC No./or Co. No.: _____
 (FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of _____ being a
 (ADDRESS)

member of AIRASIA BERHAD ("the Company") hereby appoint _____
 (FULL NAME IN BLOCK LETTERS)

NRIC No.: _____ of _____
 (COMPULSORY) (ADDRESS)

and/or _____ NRIC No.: _____ of _____
 (FULL NAME IN BLOCK LETTERS) (COMPULSORY)
 (ADDRESS)

as my / our proxy(ies) to vote in my / our name and on my / our behalf at the Twenty Second Annual General Meeting of the Company to be held on Wednesday, 3 June 2015 at 10.00 a.m. and at any adjournment of such meeting and to vote as indicated below:

RESOLUTIONS	DESCRIPTION	FOR	AGAINST
Ordinary No. 1	Ordinary Business Receive the Audited Financial Statements and Reports		
No. 2	Declaration of First and Final Single Tier Dividend		
No. 3	Approval of Directors' Fees for the financial year ended 31 December 2014		
No. 4	Approval of Directors' Fees with effect from the financial year ending 31 December 2015		
No. 5	Re-election of Tan Sri Dr. Anthony Francis Fernandes		
No. 6	Re-election of Datuk Kamarudin Bin Meranun		
No. 7	Re-election of Mr. Amit Bhatia		
No. 8	Re-election of Mr. Uthaya Kumar A/L K Vivekananda		
No. 9	Re-appointment of Auditors		
Special Business No. 10	Proposal for Dato' Fam Lee Ee to continue as Senior Independent Non-Executive Director of the Company		
No. 11	Authority to allot shares pursuant to Section 132D of the Companies Act, 1965		
No. 12	Proposed renewal of existing shareholders' mandate and new shareholders' mandate for Recurrent Related Party Transactions		

(Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting as he thinks fit)

No. of shares held:	
CDS Account No.:	
The proportion of my/our holding to be represented by my/our proxies are as follows:	First Proxy : _____ % Second Proxy : _____ %
Date:	

Signature of Shareholder/Common Seal

Notes to Form of Proxy

- Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Article 43(1) of the Company's Articles of Association, only those Foreigners (as defined in the Articles) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total issued and paid-up capital, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting, shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the forthcoming Annual General Meeting.
- A member must be registered in the Record of Depositors at 5.00 p.m. on 27 May 2015 ("General Meeting Record of Depositors") in order to attend and vote at the Meeting. A depositor shall not be regarded as a Member entitled to attend the Meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
- A member entitled to attend and vote is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative), to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).
- The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**

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stamp

COMPANY SECRETARY

AirAsia Berhad (Company No. 284669-W)
B-13-15, Level 13
Menara Prima Tower B
Jalan PJU 1/39, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Fold here

airasia.com



AirAsia Berhad (284669-W)

LCC Terminal, Jalan KLIA S3, Southern Support Zone, Kuala Lumpur International Airport

64000 Sepang, Selangor Darul Ehsan, Malaysia

T +603 8660 4333 **F** +603 8775 1100

E investorrelations@airasia.com