Annual Report 2011

Reports and Financial Statements

Fun and Profit...

Contents

Accountability

Statement on Corporate Governance

The Board of Directors of AirAsia is committed in ensuring the highest standards of corporate governance are applied throughout the Group. The Board considers that it has complied throughout the year under review with the principles and best practices as set out in the Malaysian Code on Corporate Governance ("the Code") and 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 and has assumed the following to ensure the effectiveness of the Board and to discharge its duties and responsibilities:-

- Reviewing and adopting a strategic plan for the Company;
- Approves the Company's annual budget and carries out periodic review of the achievements against business targets;
- Identifying principal risks and to ensure implementation of appropriate system to manage these risks;
- Overseeing and evaluating the conduct of the Company's business;
- Succession planning;
- Developing and implementing an investor relations program; and
- Reviewing adequacy and integrity of the Company's internal controls.

Board Balance and Meetings

The Board of Directors consists of eight (8) Members, the details are given on Corporate Book pages 60 to 77, upon the resignation of Datuk Mohamed Azman Bin Yahya, the Non-Independent Non-Executive Director on 30 April 2012. One (1) of the Board Member is the Non-Executive Chairman, two (2) are Executive Directors and five (5) are Non-Executive Directors. Four (4) of the Non-Executive Directors fulfil the criteria of independence as defined in the MMLR. The high proportion of Independent Non-Executive Directors (more than one-third) provides for effective check and balance in the functioning of the Board and reflects AirAsia's commitment to uphold excellent corporate governance.

The Board has identified Dato' Mohamed Khadar Bin Merican, the Independent Non-Executive Director as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

The roles of Chairman and Group Chief Executive Officer ("Group CEO") and the Group Deputy Chief Executive Officer & President of Group Finance, Treasury, Corporate Finance and Legal ("Group Deputy CEO") are separate with a clear division of responsibility between them. This segregation of duties ensures an appropriate balance of role, responsibility and accountability at the Board level, such that no one individual has unfetted 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 meet its other responsibilities to its shareholders, other stakeholders and guests.

The Non-Executive Directors are persons of high caliber and integrity, and they collectively possess rich experience primarily in finance, in Government and private sector enterprises and bring wide and varied commercial experience to Board and Committee 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 Corporate Book pages 60 to 77. The Board requires that all Non-Executive Directors are independent in character and judgment who do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Group, in order not to compromise their objectivity.

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.

Accountability

Statement on Corporate Governance

During the financial year ended 31 December, 2011, the Board of Directors held a total of nine (9) meetings and one (1) adjourned meeting and the details of Directors' attendances are set out below:

Name :	No of Meetings Attended
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	9
Tan Sri Dr Anthony Francis Fernandes	8
Dato' Kamarudin bin Meranun	9
Conor Mc Carthy	7
Dato' Leong Sonny @ Leong Khee Seong	9
Dato' Fam Lee Ee	9
Datuk Alias bin Ali	2 Note 1
Dato' Mohamed Khadar bin Merican	9
Datuk Mohd Omar bin Mustapha	7 Note 2
Datuk Mohamed Azman bin Yahya	4 Note 3

Note 1: Datuk Alias bin Ali retired at the Eighteenth Annual General Meeting held on 20 June 2011

Note 2: Datuk Mohd Omar bin Mustapha was only appointed on 16 March 2011

Note 3: Datuk Mohamed Azman bin Yahya was only appointed on 11 August 2011 and resigned on 30 April 2012

Supply of Information

Five (5) days prior to the Board Meetings, all Directors will receive the agenda and a set of Board 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 Directors include progress reports on business operations by Group CEO; 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 person connected with them similarly abstain from voting on the same resolution.

As a Group practice, 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 period for trading in AirAsia Berhad's shares, in accordance with the black-out periods stated in Chapter 14 on Dealings in Securities of the MMLR.

Directors' Code of Ethics

The Directors observe the Company Directors' 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 Nomination Committee. The Nomination Committee will assess the nominee(s) for directorship and Board Committee 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 Program prescribed by Bursa Malaysia.

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 Board to make effective decisions.

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

Accountability

Statement on Corporate Governance

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

Name	Programmes
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	• 4th Annual Corporate Governance Summit KL 2012 – "Bringing Asia onto the Board"
Tan Sri Dr Anthony Francis Fernandes	• Maybank Transformation Day • Credit Suisse 14th Asian Investment Conference Hong Kong • Majlis Konsultasi Belanjawan 2012 • Forbes Global CEO Conference, Kuala Lumpur • MITI Domestic Investment Summit • Malaysia Mental Literacy Movement, TAR College • UEM Directors Retreat Talk • Goldman Sach Hedge Fund Conference, Tokyo, Japan • 2nd Merdeka Roundtable • Nomura Investment Conference, Tokyo, Japan • CIMB ASEAN Conference 2011 • CLSA Conference 2011 • Invest Malaysia 2011 • On-going private briefings on financial markets by AirAsia's key bankers
Dato' Kamarudin bin Meranun	• CIMB ASEAN Conference 2011 • On-going private briefings on financial markets by AirAsia's key bankers
Dato' Leong Sonny @ Leong Khee Seong	• Financial Institutions Directors' Education Programme organised by ICLIF Leadership and Governance covered the following modules:- (i) Governance Practices for the Financial Markets in the 21st Century (ii) Risk Governance, Risk Appetite, Risks, Credit Risk, Stress Testing and Bank Case Study (iii) Managing Risks, Internal Audit, Risk Mitigation Tools, Financial Reporting and Analysis and Audit Committee (iv) Board Members, Board Effectiveness Assessment, Strategies for the Organisation and Effective Management
Dato' Fam Lee Ee	• Investment Strategy: Where to put your money
Dato' Mohamed Khadar bin Merican	• Seminar on Coping with Asia's Large Capital Inflows in a Multi-Speed Global Economy • Implementation of IRB and Management of Risk Going Forward • Internal Capital Adequacy Assessment Process • Strategic IT Workshop for Board of Directors and Top Management • FIDE: Board Risk Management Committee : Managing Risk in Banks • Anti Money Laundering / Counter Financing of Terrorism Training for Directors • Walkthrough for Board Members online / Mobile, Reflex and Cards

Name	Programmes
Datuk Mohd Omar bin Mustapha	• Corporate Governance and Boardroom Issues in Challenging Times
Datuk Mohamed Azman bin Yahya (resigned w.e.f. 30 April 2012)	• KLBC: Fireside chat with YB Dato' Sri Idris Jala, Minister in the PM's Department - "The Economic transformation Programme: What's in it For Me?" • Bolton BOD in-house Training: "The Laws Governing Land and Property Development – Overview and Latest Amendments" • Pharmaniaga: Directors' training workshop: Meeting Bursa's Financial Reporting timelines • Multimedia Development Corporation (International Data Corporation, MOF & EPU): MSC Malaysia Equity Investment luncheon & talk • Speaker @ Financial Sector Talent Enrichment Programme: Crisis Management - the Malaysian Experience (Danamodal, Danaharta, Corporate Debt Restructuring Committee) • LSE Alumni Association of Malaysia: The LSE debate - Economic Transformation Programme - Key Challenges • Panelist for Perdana Leadership Foundation CEO Forum 2011 - Transforming Malaysia: Challenges to Becoming a High-Income Nation (Corporate Sector Wish List: What Would Get Malaysian Businesses to Invest More in Malaysia) • Panelist for MAS Talk Series: Dabbawalas - Delivered on Time, Each Time • Domestic Investment Summit 2011 chaired by the PM. Organized by Ministry of International Trade and Industry, Malaysia (MITI)

During the financial year under review, Mr. Conor Mc. Carthy did not attend any training program as he has not identified any training courses that were of particular benefit to his role as a Director of AirAsia where he has served for the past 11 years.

All Directors were also updated by the Company Secretary on changes to the MMLR and relevant guidelines on the regulatory and statutory requirements.

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") and that all Directors shall retire once in every three years, and are 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 subject 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 **Audit Committee** comprises three Independent Non-Executive Directors further to the retirement of Datuk Alias bin Ali as a Director of the Company on 20 June 2011, who ipso facto ceased to be a member of the Audit Committee on the same date.

The Chairman of the Audit Committee would inform the Directors at Board meetings, of any salient matters raised at the Audit Committee meetings and which require the Board's notice or direction.

Further information on the composition, summary terms of reference and other information relating to the Audit Committee are set out on pages 9 to 11 of this Annual Report.

Accountability

Statement on Corporate Governance

The **Nomination Committee** comprises three Non-Executive Directors, two of whom are independent namely:-

Chairman : Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar
(Non-Executive Director)

Members : Dato' Fam Lee Ee
(Independent Non-Executive Director)
Datuk Mohd Omar bin Mustapha
(Independent Non-Executive Director)

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

- 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 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 committees of the Board and the contribution of each individual Director.

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

The **Remuneration Committee** comprises three Independent Non-Executive Directors namely:-

Chairman : Datuk Mohd Omar bin Mustapha
(Independent Non-Executive Director)

Members : Dato' Leong Sonny @ Leong Khee Seong
(Independent Non-Executive Director)
Dato' Fam Lee Ee
(Independent Non-Executive Director)

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

- To review and to consider the remuneration of Executive Directors which is in accordance with the skill, experience and expertise they possess and make recommendation to the Board on the remuneration packages of Executive Directors.
- 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** 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, namely:-

Chairman : Mr. Conor Mc Carthy
(Non-Executive Director)

Member : Dato' Mohamed Khadar bin Merican
(Independent Non-Executive Director)

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

The **Employee Share Option Scheme ("ESOS") Committee** comprises of the Group CEO, Deputy Group CEO, the Group Chief Financial Officer and the Company's External Legal Advisor. The ESOS Committee was established to administer the ESOS of the Group 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.

Statement on Corporate Governance

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 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 Remuneration Committee 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 Remuneration Committee 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**
   Both the Group CEO and Deputy Group CEO, have a three-year service contract each with AirAsia.

6. **Directors' share options**
   There was no movement in Directors' share options during the year ended 31 December 2011 except that Tan Sri Dr. Tony Fernandes had fully exercised his options for 600,000 ordinary shares of RM0.10 each in the Company.

Details of the Directors' remuneration are set out in Note 5 of the Audited Financial Statements on pages 49 to 51 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 as disclosed in the said Note 5.

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.

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

At the AGM, the Group 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.

Corporate Disclosure Policy
AirAsia Berhad observed the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia. A Corporate Disclosure Policy 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 regulation of Bursa Malaysia and the Corporate Governance Guide.

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

Accountability

Statement on Corporate Governance

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 Audit Committee 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 Audit Committee to review regularly the effectiveness of the system of internal control as required by the Code. A report on the Audit Committee and its summary terms of reference is presented on pages 9 to 11 of this Annual Report.

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 shareholder 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 of Internal Control is set out in pages 12 to 13 of this Annual Report.

Whistleblowing Program

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 Chief Audit Executive (Audit & Consulting Services) 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 Audit Committee; and
- Report to Management on behalf of the Audit Committee 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.

Relationship with the External Auditors

The Board, through the Audit Committee, has maintained appropriate, formal and transparent relationship with the external auditors. The Audit Committee 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 Audit Committee on matters that may require their attention.

This statement is made in accordance with a resolution of the Board of Directors of AirAsia dated 26 April 2012.

Accountability

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 1st 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 1st Schedule of the Accountants Act 1967; or

(iii) fulfils such 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 function, external auditors, financial reporting, related party transactions, annual reporting and investigation are as follows:

Internal Audit

- Mandate the internal audit function to report directly to the Committee;
- Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary independence and authority to carry out its work;
- Review the internal audit reports and to ensure that appropriate and prompt remedial action is taken by the Management;
- Review the appraisal or assessment of the performance of members of the internal audit function;
- Approve the appointment or termination of the Regional Head - Internal Audit and senior staff members of Internal Audit; and
- Take cognisance of resignations of internal audit staff and the reason for resigning.

External Auditor

- To consider the appointment of the external auditor, the audit fees, any questions of 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); and
- To provide a line of communication between the Board and the external auditors.

Financial Reporting

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

- any change in accounting policies and practices;
- significant adjustments arising from the audit;
- litigation that could affect the results materially;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

Related Party Transactions

To review any related party transactions and conflict of interest situations.

Annual Report

Report the Audit Committee's activities for the financial year.

Investigation

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

Other Matters

To consider any other matters as directed by the Board.

Accountability

Audit Committee Report

C. Authority and powers of the Audit Committee

In carrying out its duties, an 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 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 both, 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 of directors has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), the Committee is authorised to promptly report such matters to the Exchange.

D. Meetings

a) The Committee shall meet at least four (4) times a year.
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.
d) The Group Regional Head of Finance and the Regional Head of Internal Audit of the Group and Company shall normally attend the meetings to assist in the 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.
e) The Company Secretary shall act as Secretary of the Committee.
f) The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.
g) The Committee at each Board Meeting will report a summary of significant matters resolutions.

The terms of reference summarised above were revised and approved by the Board of Directors of AirAsia Berhad on 27th day of February 2008.

ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

A summary of the activities performed by the Committee during the financial year ended 31 December 2011 ("Financial Year") is set out below.

COMPOSITION OF THE AUDIT COMMITTEE AND ATTENDANCE OF MEETINGS

A total of eleven (11) 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
Dato' Leong Khee Seong (Chairman of the Committee)	Independent Non-Executive Director	11
Dato' Fam Lee Ee	Independent Non-Executive Director	9
Datuk Alias bin Ali	Independent Non-Executive Director	4 Note 1
Dato' Mohamed Khadar bin Merican	Independent Non-Executive Director	11

Note 1: Datuk Alias bin Ali retired at the Eighteenth Annual General Meeting held on 20 June 2011

The Committee meets on a scheduled basis at least once in every two months. The Group Chief Executive Officer (GCEO), the Regional Head – Finance, the Group Financial Controller (GFC) and the Regional Head - Internal Audit are invited to attend the meetings. The External Auditors are also invited to discuss their management letters, Audit Planning Memorandum and other matters deemed relevant.

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.

External Audit

- The Committee reviewed PricewaterhouseCoopers ("PwC") overall work plan and recommended to the Board their remuneration and terms of engagement as external auditors and 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 International 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 for the Financial Year.

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.

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. The 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. The 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. The total operational costs of the Internal Audit department for 2011 was RM2,685,556.52.

Accountability

Statement on Internal Control

The Board remains committed to complying with the Malaysian Code of Corporate Governance which "... requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets" and Bursa Malaysia's MMLR Paragraph 15.26 (b) which requires the Board to make a statement about the state of internal control of the listed issuer as a group. The Board is pleased to issue the following statement of internal control for the financial year ended 31 December 2011.

BOARD ACCOUNTABILITY

The Company 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 Company has established and maintains an internal control environment that incorporates various control mechanisms at different levels throughout the Company. The Board of Directors 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 or loss.

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 of Directors. 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 internal controls to enhance operational controls and enhance risk management. Indeed, the first level of assurance comes from business operations which perform the day to day risk management activity. The Board is informed of major control issues encompassing internal controls, regulatory compliance and risk taking.

The Board is of the view that the system of internal controls 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 CONTROLS

The Board continues to rely on the enterprise-wide 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 Company 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 and associated companies have been performed during the development of the annual audit plan which was presented, deliberated and approved by the Audit Committee.

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

KEY INTERNAL CONTROL PROCESSES

The key elements of the Group's internal control system are described below:

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 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 Remuneration Committee, Nomination Committee, Audit Committee and Safety Review Board 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 mitigation action plans.

Internal Audit

- The Board has extended the responsibilities of the Audit Committee to include the assessment of internal controls, through the Internal Audit (IA) function. The Audit Committee, chaired by an independent non-executive director reviews the internal controls system and findings of the internal auditors and external auditors;

Statement on Internal Control

- The IA is an independent function that reports directly to the Audit Committee. 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 auditable 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 Audit Committee;

- The conducts of internal audit work is governed by the Internal Audit Charter, which is approved by the Audit Committee. The Audit Committee 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 Audit Committee also reviews and considers matters relating to internal controls as highlighted by the external auditors in the course of their statutory audit of the Company's financial statements.

Other Key Elements of Internal Control

- 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 Group 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 Company 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.

Accountability

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 2011.

2. SHARE BUY-BACK

The Company does not have a scheme to buy-back its own shares.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Company did not issue any warrants or convertible securities during the financial year ended 31 December, 2011. The AirAsia ESOS came into effect on 1 September 2004. The details of the ESOS exercised are disclosed in pages 81 to 83 of the financial statements.

4. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year ended 31 December 2011.

5. EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The ESOS is the only share scheme of the Company in existence during the financial year ended 31 December 2011 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 are as follows:

	During the financial year ended 31 December 2011	Since commencement of the ESOS on 7 June 2004
Total number of options or shares granted	-	93,164,000
Total number of options exercised or shares vested	4,523,500	63,069,500
Total options or shares outstanding	5,364,900	5,364,900

Granted to Directors and Chief Executive	During the financial year ended 31 December 2011	Since commencement of the ESOS on 7 June 2004
Aggregate options or shares granted	-	1,200,000
Aggregate options exercised or shares vested	600,000	-
Aggregate options or shares outstanding	600,000	600,000

Granted to Directors and senior management	During the financial year ended 31 December 2011	Since commencement of the ESOS on 7 June 2004
Aggregate maximum allocation in percentage	-	50.0%
Actual percentage granted	-	1.29%

Additional Compliance Information

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 2011.

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 2011 were RM245,000 for Taxation Advice.

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 2011.

9. PROFIT GUARANTEE

During the financial year ended 31 December 2011, the Group and the Company did not give any profit guarantee.

10. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS'

There were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders' interests still subsisting at the financial year ended 31 December 2011.

Reports and Financial Statements

Directors' Report

The Directors hereby submit their annual report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2011.

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 13 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group	Company
	RM'000	RM'000
Net profit for the financial year	555,324	553,367

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2010, first and final dividend of 3 sen per ordinary share of RM0.10, paid on 19 July 2011	
- as shown in the Directors' report of that year, dividend on 2,773,436,080 shares	76,861
- dividend on additional 2,573,500 shares due to exercise of employee share options	104
	76,965

At the date of this report the Directors have not recommended the payment of any dividend for the financial year ended 31 December 2011.

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 RM277,343,608 to RM277,808,558 by way of issuance of 4,649,500 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 RM4,556,510, 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 share capital of the Company during the financial year.

Directors' Report

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company implemented an ESOS on 1 September 2004. 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.

Details of the ESOS are set out in Note 32 to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia, the information of which has been separately filed, from having to disclose the list of option holders and their holdings, except for eligible employees (inclusive of Executive Directors) with share options allocation of 320,000 and above. The employees who have been granted options of more than 320,000 shares are Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun, details of which are disclosed in the section on Directors' Interests in Shares below.

DIRECTORS

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

Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	
Tan Sri Dr. Anthony Francis Fernandes	
Dato' Kamarudin Bin Meranun	
Conor Mc Carthy	
Dato' Leong Sonny @ Leong Khee Seong	
Dato' Fam Lee Ee	
Dato' Mohamed Khadar Bin Merican	
Mohd Omar Bin Mustapha	(Appointed on 16 March 2011)
Datuk Mohamed Azman Bin Yahya	(Appointed on 11 August 2011)
Mohamed Rashdan Bin Mohd Yusof	(Appointed on 11 August 2011, resigned on 12 October 2011)
(Alternate Director to Datuk Mohamed Azman Bin Yahya)	
Datuk Alias Bin Ali	(Retired on 20 June 2011)

DIRECTORS' BENEFITS

During and at the end of the financial year, 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, other than the Company's ESOS (see Note 5 to the financial statements).

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration as disclosed in Note 5 to the financial statements) 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 38 to the financial statements.

Reports and Financial Statements

Directors' Report

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 1.1.2011	Acquired	Disposed	At 31.12.2011
Direct interests in the Company				
Tan Sri Dr. Anthony Francis Fernandes	2,627,010	600,000	-	3,227,010
Dato' Kamarudin Bin Meranun	1,692,900	-	-	1,692,900
Conor Mc Carthy	15,352,403	-	4,387,403	10,965,000**
Dato' Leong Sonny @ Leong Khee Seong	100,000	-	-	100,000
Dato' Fam Lee Ee	100,000	-	50,000	50,000
Indirect interests				
Tan Sri Dr. Anthony Francis Fernandes *	729,458,382	-	366,500,600	362,957,782
Dato' Kamarudin Bin Meranun *	729,458,382	-	366,500,600	362,957,782

* 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 Dato' Kamarudin Bin Meranun are deemed to have interests in the Company to the extent of TASB's interest therein, in accordance with Section 6A of the Companies Act, 1965.

** 100,000 shares held in personal name and 10,865,000 shares held under HSBC Nominees (Asing) Sdn Bhd.

	Number of options over ordinary shares of RM0.10 each			
	At 1.1.2011	Granted	Exercised	At 31.12.2011
The Company				
Tan Sri Dr. Anthony Francis Fernandes	600,000	-	(600,000)	-
Dato' Kamarudin Bin Meranun	600,000	-	-	600,000

Other than as disclosed above, according to the register of Directors' shareholdings, none of the other Directors in office at the end of the financial year held any interest in shares, options over shares and 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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 27 April 2012.

TAN SRI DR. ANTHONY FRANCIS FERNANDES
DIRECTOR

DATO' KAMARUDIN BIN MERANUN
DIRECTOR

Reports and Financial Statements

Income Statements

For the Financial Year Ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Revenue	4	4,495,141	3,948,095	4,449,933	3,864,459
Operating expenses					
- Staff costs	5	(484,177)	(360,785)	(482,526)	(358,941)
- Depreciation of property, plant and equipment	12	(570,909)	(519,984)	(570,755)	(519,958)
- Aircraft fuel expenses		(1,759,868)	(1,210,108)	(1,759,868)	(1,210,108)
- Maintenance and overhaul		(86,698)	(92,646)	(86,698)	(92,646)
- User charges and other related expenses		(386,868)	(383,431)	(385,565)	(383,431)
- Aircraft operating lease expenses		(80,655)	(65,692)	(80,655)	(65,692)
- Travel and tour operating expenses		(36,555)	(69,634)	-	-
- Other operating expenses	6	(163,747)	(192,381)	(153,688)	(186,017)
Other losses – net	7	(55,501)	(22,416)	(55,501)	(22,416)
Other income	8	292,357	35,943	292,156	35,367
Operating profit		1,162,520	1,066,961	1,166,833	1,060,617
Finance income	9	66,078	66,699	66,056	66,689
Finance costs	9	(377,894)	(384,340)	(377,865)	(384,336)
Net operating profit		850,704	749,320	855,024	742,970
Foreign exchange (loss)/gain on borrowings	9	(93,472)	439,514	(93,472)	439,514
Foreign exchange gain/(loss) on amounts due from associates and jointly-controlled entities		13,457	(89,978)	13,457	(89,978)
Share of results of jointly controlled entities	14	11,980	-	-	-
Share of results of associates	15	(5,652)	-	-	-
Profit before taxation		777,017	1,098,856	775,009	1,092,506
Taxation					
- Current taxation	10	(18,533)	(5,431)	(18,533)	(5,417)
- Deferred taxation	10	(203,160)	(32,014)	(203,109)	(32,014)
		(221,693)	(37,445)	(221,642)	(37,431)
Net profit for the financial year		555,324	1,061,411	553,367	1,055,075
Earnings per share (sen)					
- Basic	11	20.0	38.4		
- Diluted	11	20.0	38.3		

Reports and Financial Statements

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2011

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit for the financial year		555,324	1,061,411	553,367	1,055,075
Other comprehensive (loss)/income					
- Available-for-sale financial assets	16	-	4,279	-	4,279
- Cash flow hedges		(88,054)	(5,639)	(88,054)	(5,639)
- Foreign currency translation differences		111	(107)	-	-
Other comprehensive loss for the financial year, net of tax		(87,943)	(1,467)	(88,054)	(1,360)
Total comprehensive income for the financial year		467,381	1,059,944	465,313	1,053,715
Total comprehensive income attributable to:					
- Equity holders of the company		467,381	1,059,944		
- Non-controlling interests		-	-		
		467,381	1,059,944		

Reports and Financial Statements

Balance Sheets

As at 31 December 2011

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	8,586,451	9,318,041	8,586,146	9,316,592
Investment in subsidiaries	13	-	-	23,480	25,384
Investment in jointly controlled entities	14	123,654	-	81,559	-
Investment in associates	15	39,079	29	29	29
Available-for-sale financial assets	16	152,942	152,942	152,942	152,942
Other investments	17	-	25	-	25
Goodwill	18	7,334	8,738	-	-
Deferred tax assets	19	516,100	719,260	516,151	719,260
Receivables and prepayments	20	15,548	23,593	15,548	23,593
Deposits on aircraft purchase	21	112,228	-	112,228	-
Amount due from an associate	22	513,614	117,964	513,614	117,964
Derivative financial instruments	23	44,811	25,544	44,811	25,544
		10,111,761	10,366,136	10,046,508	10,381,333
CURRENT ASSETS					
Inventories	24	19,730	17,553	19,730	17,005
Receivables and prepayments	20	1,109,775	841,122	1,081,125	815,921
Deposits on aircraft purchase	21	255,540	248,684	255,540	248,684
Derivative financial instruments	23	7,659	-	7,659	-
Amounts due from subsidiaries	25	-	-	105,409	432,382
Amount due from a jointly controlled entity	26	4,526	99,802	4,526	-
Amounts due from associates	22	289,492	162,386	289,492	162,386
Deposits, cash and bank balances	27	2,105,010	1,504,617	2,079,712	1,499,061
Current tax recoverable		2,216	-	1,942	-
		3,793,948	2,874,164	3,845,135	3,175,439

Reports and Financial Statements

Balance Sheets
As at 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
LESS: CURRENT LIABILITIES					
Trade and other payables	28	1,137,232	912,943	1,103,063	884,344
Sales in advance		389,833	328,549	376,628	307,987
Amounts due to subsidiaries	29	-	-	5,605	44,251
Amounts due to jointly controlled entities	26	19,761	-	50,087	322,614
Amount due to an associate	22	4,444	5,223	4,444	5,223
Amount due to a related party	29	10,560	41,262	10,560	41,262
Hire-purchase payables	30	-	15	-	15
Borrowings	31	594,231	553,967	594,231	553,967
Derivative financial instruments	23	38,011	-	38,011	-
Current tax liabilities		-	1,632	-	955
		2,194,072	1,843,591	2,182,629	2,160,618
NET CURRENT ASSETS		1,599,876	1,030,573	1,662,506	1,014,821
NON-CURRENT LIABILITIES					
Borrowings	31	7,186,919	7,302,884	7,186,919	7,302,884
Derivative financial instruments	23	488,321	452,865	488,321	452,865
		7,675,240	7,755,749	7,675,240	7,755,749
		4,036,397	3,640,960	4,033,774	3,640,405
CAPITAL AND RESERVES					
Share capital	32	277,809	277,344	277,809	277,344
Share premium		1,226,150	1,221,594	1,226,150	1,221,594
Foreign exchange reserve		596	485	-	-
Retained earnings	33	2,580,930	2,102,571	2,578,903	2,102,501
Other reserves		(49,088)	38,966	(49,088)	38,966
Shareholders' equity		4,036,397	3,640,960	4,033,774	3,640,405

Reports and Financial Statements

Consolidated Statement of Changes in Equity

For the Financial Year Ended 31 December 2011

		Attributable to equity holders of the Company									
		Issued and fully paid ordinary shares of RM0.10 each									
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	AFS reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2011		2,773,437	277,344	1,221,594	485	(71,309)	110,275	2,102,571	3,640,960	-	3,640,960
Net profit for the financial year		-	-	-	-	-	-	555,324	555,324	-	555,324
Fair value gains during the year		-	-	-	-	8,962	-	-	8,962	-	8,962
Amounts transferred to income statement		-	-	-	-	(97,016)	-	-	(97,016)	-	(97,016)
Other comprehensive income		-	-	-	111	-	-	-	111	-	111
Total comprehensive income		-	-	-	111	(88,054)	-	555,324	467,381	-	467,381
Dividend paid	34	-	-	-	-	-	-	(76,965)	(76,965)	-	(76,965)
Issuance of ordinary shares - pursuant to the Employee Share Option Scheme ('ESOS')	32	4,650	465	4,556	-	-	-	-	5,021	-	5,021
At 31 December 2011		2,778,087	277,809	1,226,150	596	(159,363)	110,275	2,580,930	4,036,397	-	4,036,397

Reports and Financial Statements

Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2011

		Attributable to equity holders of the Company									
		Issued and fully paid ordinary shares of RM0.10 each									
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	AFS reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2010		2,757,745	275,774	1,206,216	592	(65,670)	105,996	1,041,160	2,564,068	-	2,564,068
Net profit for the financial year		-	-	-	-	-	-	1,061,411	1,061,411	-	1,061,411
Fair value losses during the year		-	-	-	-	(278,251)	-	-	(278,251)	-	(278,251)
Amounts transferred to income statement		-	-	-	-	272,612	-	-	272,612	-	272,612
Other comprehensive income		-	-	-	(107)	-	4,279	-	4,172	-	4,172
Total comprehensive income		-	-	-	(107)	(5,639)	4,279	1,061,411	1,059,944	-	1,059,944
Issuance of ordinary shares - pursuant to the Employee Share Option Scheme ('ESOS')	32	15,692	1,570	15,378	-	-	-	-	16,948	-	16,948
At 31 December 2010		2,773,437	277,344	1,221,594	485	(71,309)	110,275	2,102,571	3,640,960	-	3,640,960

Reports and Financial Statements

Company Statement of Changes in Equity

For the Financial Year Ended 31 December 2011

	Note	Issued and fully paid ordinary shares of RM0.10 each		Non-distributable			Distributable	
	Note	Number of shares '000	Nominal value RM'000	Cash flow hedge reserve RM'000	AFS reserve RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2011		2,773,437	277,344	(71,309)	110,275	1,221,594	2,102,501	3,640,405
Net profit for the financial year		-	-	-	-	-	553,367	553,367
Fair value gains during the year		-	-	8,962	-	-	-	8,962
Amounts transferred to income statement		-	-	(97,016)	-	-	-	(97,016)
Total comprehensive income		-	-	(88,054)	-	-	553,367	465,313
Dividends paid	34	-	-	-	-	-	(76,965)	(76,965)
Issuance of shares - pursuant to the Employee Share Option Scheme ('ESOS')	32	4,650	465	-	-	4,556	-	5,021
At 31 December 2011		2,778,087	277,809	(159,363)	110,275	1,226,150	2,578,903	4,033,774

Reports and Financial Statements

Company Statement of Changes in Equity
For the Financial Year Ended 31 December 2011

	Note	Issued and fully paid ordinary shares of RM0.10 each		Non-distributable			Distributable	
		Number of shares '000	Nominal value RM'000	Cash flow hedge reserve RM'000	AFS reserve RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2010		2,757,745	275,774	(65,670)	105,996	1,206,216	1,047,426	2,569,742
Net profit for the financial year		-	-	-	-	-	1,055,075	1,055,075
Fair value losses during the year		-	-	(278,251)	-	-	-	(278,251)
Amounts transferred to income statement		-	-	272,612	-	-	-	272,612
Other comprehensive income		-	-	-	4,279	-	-	4,279
Total comprehensive income		-	-	(5,639)	4,279	-	1,055,075	1,053,715
Issuance of shares - pursuant to the Employee Share Option Scheme ('ESOS')	32	15,692	1,570	-	-	15,378	-	16,948
At 31 December 2010		2,773,437	277,344	(71,309)	110,275	1,221,594	2,102,501	3,640,405

Reports and Financial Statements

Cash Flow Statements

For the Financial Year Ended 31 December 2011

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	777,017	1,098,856	775,009	1,092,506
Adjustments:				
Property, plant and equipment				
- Depreciation	570,909	519,984	570,755	519,958
- Write off	1,089	-	-	-
- Impairment	16,983	6,996	16,983	6,996
- Gain on disposals	(198,923)	(1,311)	(198,923)	(1,311)
Impairment loss on goodwill	1,404	-	-	-
Impairment of investment in subsidiary	-	-	1,904	-
Amortisation of other investments	25	12	25	12
Unwinding of discount on related party receivables	(22,656)	(9,647)	(22,656)	(9,647)
Fair value (gains)/losses on derivative financial instruments	(41,515)	295,028	(41,515)	295,028
Share of results of jointly controlled entities	(11,980)	-	-	-
Share of results of associates	5,652	-	-	-
Net unrealised foreign exchange loss/(gain)	150,234	(586,755)	150,234	(586,760)
Interest expense	368,007	374,364	368,007	374,364
Interest income	(43,422)	(66,699)	(43,422)	(66,689)
	1,572,824	1,630,828	1,576,401	1,624,457
Changes in working capital:				
Inventories	(2,177)	3,311	(2,725)	3,311
Receivables and prepayments	(261,860)	(162,883)	(252,196)	(139,046)
Trade and other payables	272,573	63,453	235,716	35,177
Related party balances	169,205	393,568	97,760	401,920
Cash generated from operations	1,750,565	1,928,277	1,654,956	1,925,819
Interest paid	(367,707)	(379,099)	(367,707)	(379,099)
Interest received	43,422	57,052	43,422	57,042
Tax paid	(22,381)	(11,808)	(21,430)	(11,319)
Net cash from operating activities	1,403,899	1,594,422	1,309,241	1,592,443

Cash Flow Statements
For the Financial Year Ended 31 December 2011

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Property, plant and equipment					
- Additions		(612,393)	(1,902,833)	(612,294)	(1,902,253)
- Proceeds from disposals		387,960	-	387,960	-
Investment in a subsidiary company		-	-	-	(3,190)
Investment in a jointly-controlled entity		(111,674)	-	(81,559)	-
Investment in an associate		(44,702)	-	-	-
Deposits on aircraft purchase		(106,662)	50,808	(106,662)	50,808
Purchases of available-for-sale financial assets		-	(16,000)	-	(16,000)
Net cash used in investing activities		(487,471)	(1,868,025)	(412,555)	(1,870,635)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from allotment of shares		5,021	16,948	5,021	16,948
Hire-purchase instalments paid		(15)	(57)	(15)	(57)
Proceeds from borrowings		508,148	1,587,597	508,148	1,587,597
Repayment of borrowings		(752,224)	(572,580)	(752,224)	(572,580)
Dividends paid		(76,965)	-	(76,965)	-
Deposits released/(pledged) as securities		16,395	(942)	16,395	(942)
Net cash (used in)/from financing activities		(299,640)	1,030,966	(299,640)	1,030,966
NET INCREASE FOR THE FINANCIAL YEAR		616,788	757,363	597,046	752,774
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		1,475,828	718,465	1,470,272	717,498
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	27	2,092,616	1,475,828	2,067,318	1,470,272

Reports and Financial Statements

Cash Flow Statements
For the Financial Year Ended 31 December 2011

SIGNIFICANT NON-CASH TRANSACTIONS

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Total purchase of property, plant and equipment during the financial year	12	(1,281,964)	(1,902,833)	(1,281,865)	(1,902,253)
Settlement by lessors on behalf of the Company for purchase of aircraft		669,571	-	669,571	-
Net cash used in purchase of property, plant and equipment		(612,393)	(1,902,833)	(612,294)	(1,902,253)
Net book value of property, plant and equipment disposed during the financial year	12	1,424,573	-	1,424,573	-
Gain on disposal of property, plant and equipment		198,923	-	198,923	-
Total proceeds from disposal of property, plant and equipment		1,623,496	-	1,623,496	-
Settlement by lessors on behalf of the Company for purchase of aircraft		(669,571)	-	(669,571)	-
Advances to an associate for purchase of property, plant and equipment		(565,965)	-	(565,965)	-
Net cash proceeds received from disposal of property, plant and equipment		387,960	-	387,960	-

Reports and Financial Statements

Notes to the Financial Statements

31 December 2011

1 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 13 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:

25-5, Block H
Jalan PJU1/37, 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 27 April 2012.

2 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 of the financial statements

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ('FRS'), the Malaysian Accounting Standards Board ('MASB') Approved Accounting Standards in Malaysia for Entities Other than Private Entities, and comply with the provisions of the Companies Act, 1965.

The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS and the provisions of the Companies Act, 1965 requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's and the Company's financial statements are disclosed in Note 3 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations to existing standards that are effective for the Group and Company's financial year beginning on or after 1 January 2011 are as follows:

- FRS 1 (revised) "First-time Adoption of Financial Reporting Standards" and the related Amendments
- FRS 3 (revised) "Business Combinations"
- FRS 127 (revised) "Consolidated and Separate Financial Statements"
- Amendment to FRS 2 "Share-based Payment: - Group Cash-settled Share-based Payment Transactions"
- Amendment to FRS 7 "Financial Instruments: - Disclosures: - Improving Disclosures about Financial Instruments"
- Amendments to IC Interpretation 9 "Reassessment of Embedded Derivatives"
- Amendments to FRS 132 "Financial Instruments: – Presentation: - Classification of Rights Issues"
- IC Interpretation 4 "Determining Whether an Arrangement Contains a Lease"
- IC Interpretation 12 "Service Concession Arrangements"
- IC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation"
- IC Interpretation 17 "Distribution of Non-cash Assets to Owners"
- IC Interpretation 18 "Transfers of Assets from Customers"
- Improvements to FRSs (2010)

The adoption of the above FRSs, amendments to FRSs and IC Interpretations did not have any material effect on the financial statements of the Group and the Company, other than enhanced disclosures, in relation to Amendment to FRS 7 "Financial Instruments: - Disclosures: - Improving Disclosures about Financial Instruments".

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

In the next financial year, the Group will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). In adopting the new framework, the Group will be applying MFRS 1 "First-time adoption of MFRS". MFRS 1 provides for certain optional exemption and certain mandatory exception for first-time MFRS adopters.

(i) Financial year beginning on/after 1 January 2012

- The revised MFRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Financial year beginning on/after 1 January 2012 (continued)

The initial application of the Standard is not expected to have a material impact to the financial statements of the Group.

- Amendment to MFRS 112 "Income taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 "Investment property". As a result of the amendments, IC Interpretation 121 "Income taxes - recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn.

- IC Interpretation 19 "Extinguishing financial liabilities with equity instruments" (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss.

- Amendments to IC Interpretation 14 "MFRS 119 - The limit on a defined benefit assets, minimum funding requirements and their interaction" (effective from 1 July 2011) permits an entity to recognise the prepayments of contributions as an asset, rather than an expense in circumstances when the entity is subject to a minimum funding requirement and makes an early payment of contributions to meet those requirements.

- Amendment to MFRS 1 "First time adoption on fixed dates and hyperinflation" (effective from 1 January 2012) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to MFRSs', thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation.

- Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets" (effective from 1 January 2012) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

(ii) Financial year beginning on/after 1 January 2013

- MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Financial year beginning on/after 1 January 2013 (continued)

- MFRS 11 "Joint arrangements" (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

- The revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

- The revised MFRS 128 "Investments in associates and joint ventures"(effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

- Amendment to MFRS 101 "Presentation of items of other comprehensive income" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

- Amendment to MFRS 119 "Employee benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

(iii) Financial year beginning on/after 1 January 2015

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iii) Financial year beginning on/after 1 January 2015 (continued)

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The Group and the Company have started a preliminary assessment of the differences between FRS and accounting standards under the MFRS Framework and are in the process of assessing the financial effects of the differences. Accordingly, the financial performance and financial position as disclosed in their financial statements for the financial year ended 31 December 2011 could be different if prepared under MFRS Framework.

The Group and the Company expects to be in position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those corporations or other entities (including special purpose entities) in which the Group has power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effects of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred 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. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

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 Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in profit or loss. Refer to accounting policy Note 2(d) on goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation (continued)

(i) Subsidiaries (continued)

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated

Change in accounting policy

The Group has changed its accounting policy on business combinations and accounting for non-controlling interest when it adopted the revised FRS 3 "Business combinations" and FRS 127 "Consolidated and separate financial statements".

Previously, contingent consideration in a business combination was recognised when it is probable that payment will be made. Acquisition-related costs were included as part of the cost of business combination. Any non-controlling interest in the acquiree was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group was accounted for as a revaluation.

The Group has applied the new policies prospectively to transactions occurring on or after 1 January 2011. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

Previously, the Group had stopped attributing losses to the non-controlling interest because the losses exceeded the carrying amount of the non controlling interest. The Group has applied this policy prospectively. On the date of adoption of the new policy, the non-controlling interest reflects its previous carrying amount (that is, zero).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. This may indicate an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in profit or loss attributable to the parent.

(ii) Jointly controlled entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operation decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting involves recognising the Group's share of the post-acquisition results of jointly controlled entities in profit or loss and its share of post-acquisition changes of the investee's reserves in other comprehensive income. The cumulative post-acquisition changes are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment loss).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation (continued)

(ii) Jointly controlled entities (continued)

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised within reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in jointly controlled entities equals or exceeds its interest in the jointly controlled entities, including any other long-term interests that, in substance, form part of the Group's net investment in those entities, the Group discontinues recognising its share of further losses.

After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entities. If the jointly controlled entities subsequently report profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the jointly controlled entities to ensure consistency of accounting policies with those of the Group

(iii) Associates

Associates are corporations, partnerships or other entities in which the Group exercises significant influence but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not power to exercise control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition (see Note 2(d)), net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. If the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that in substance, forms part of the Group's net investment in the associate.

After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group 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 the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the associates to ensure consistency of accounting policies with those of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the Group's share of the fair value of the identifiable net assets at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when events or circumstances occur indicating that an impairment may exist. Impairment loss on goodwill is charged to the consolidated income statement as and when it arises. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary disposed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit or a group of cash-generating units represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination.

Goodwill on acquisition of jointly controlled entities and associates is included in the investments in jointly controlled entities and associates respectively. Such goodwill is tested for impairment as part of the overall investment amount.

(e) 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. 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	7 or 25 years
- airframe	7 or 25 years
- service potential	7 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
Kitchen equipment	5 years
In flight equipment	5 years
Training equipment	5 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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 2011, the estimated residual value for aircraft airframes and engines is 10% of their cost (2010: 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 each balance sheet date, 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 2(g) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the income statement.

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.

(f) Investments

In the Company's separate financial statements, investments in subsidiaries, jointly controlled entities 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 2(g)).

(g) Impairment of 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. Property, plant and equipment and other non-current assets, including intangible assets with definite useful lives, are reviewed for impairment losses 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 (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

Any impairment loss arising is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Maintenance and overhaul

Owned aircraft

The accounting for the cost of providing major airframe and certain engine maintenance checks for own 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.

(i) Leases

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks 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 charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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 2(e) 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 incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease period.

Assets leased out by the Company 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. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

(j) Inventories

Inventories comprising spares and 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 estimated costs to completion and applicable variable selling expenses. In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

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', 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.

(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 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 value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 2(k)(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 the income statement. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in the income statement. Dividend income on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

Reports and Financial Statements
Notes to the Financial Statements
31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets (continued)

(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.

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 the income statement. 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 the income statement.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets (continued)

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

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 the income statement. The amount of cumulative loss that is reclassified to the income statement is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

Impairment testing on trade receivables is described in accounting policy Note 2(n).

(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 statement.

(l) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet 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.

(m) 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. 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 23. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 'other gains/(losses) – net'.

Amounts accumulated in equity are reclassified to the income statement 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 the income statement and presented separately after net operating profit.

However, 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 the income statement. 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 'other gains/(losses) – net'.

(n) 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 allowance for impairment.

(o) 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.

(p) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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 to shareholders of the Company

Dividends on ordinary shares are recognised as a liability in the period in which they are declared. A dividend declared after the end of the reporting period, but before the financial statements are authorised for issue, is not recognised as a liability at the end of the reporting period.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. The finance costs, which represent the difference between the initial recognised amount and the redemption value is recognised in the financial statements over the period of the borrowings using the effective interest method.

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 statement.

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.

(s) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries, jointly controlled entities or associates.

Deferred tax is recognised in full, 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.

Deferred tax assets are recognised for the carry forward of unused tax losses and tax credits (including investment tax allowances) to the extent that it is probable that taxable profits will be available against which the unutilised tax losses and unused tax credits can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group's share of income taxes of jointly controlled entities and associates are included in the Group's share of results of jointly controlled entities and associates.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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 plan

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

(iii) Share based payments

FRS 2 – Share-based Payment requires recognition of share-based payment transactions including the value of share options in the financial statements. There is no impact on the financial statements of the Group following the prospective application of FRS 2 in 2006 as all the share options of the Company were fully vested prior to the effective date of the standard.

(u) Revenue recognition

Scheduled passenger flight and chartered flight income are recognised upon the rendering of transportation services and where applicable, are stated net of discounts. The value of seats sold for which services have not been rendered is included in current liabilities as sales in advance. Revenue from aircraft rentals is recorded on a straight-line basis over the term of the lease.

Other revenue which includes fuel surcharge, insurance surcharge, administrative fees, excess baggage and baggage handling fees, are recognised upon the completion of services rendered and where applicable, are stated net of discounts. Freight and other related revenue are recognised upon the completion of services rendered and where applicable, are stated net of discounts. Income from the provision of tour operations (both inbound and outbound) and travel agency services is recognised upon services being rendered and where applicable, are stated net of discounts.

Rental income is recognised on an accrual basis.

Brand license fee is recognised on an accrual basis in accordance with the substance of the agreement.

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 operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are recognised at their fair value. 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 fair value at which they are recognised. Award points expire 36 months after the initial sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) 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.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 the income statement.

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 jointly controlled entities are separately disclosed after net operating profit.

(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:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) 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

(iii) all resulting exchange differences are recognised as a separate component of equity.

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 statement as part of the gain or loss on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) 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.

(x) Contingent liabilities

The Group does not recognise a contingent liability 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 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.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests.

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 FRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118 'Revenue'.

(y) Segment reporting

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (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 2(e), 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.

4 REVENUE

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Passenger seat sales	3,056,082	2,830,920	3,056,082	2,830,920
Baggage fees	362,597	290,392	362,597	290,392
Aircraft operating lease income	495,416	395,943	495,416	395,943
Surcharges and fees	139,313	13,938	139,313	13,938
Travel and tour operations	45,208	83,636	-	-
Other revenue	396,525	333,266	396,525	333,266
	4,495,141	3,948,095	4,449,933	3,864,459

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

5 STAFF COSTS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Wages, salaries, bonus and allowances	440,458	318,316	438,938	316,642
Defined contribution retirement plan	43,719	42,469	43,588	42,299
	484,177	360,785	482,526	358,941

5 STAFF COSTS (CONTINUED)

Included in staff costs is Executive Directors' remuneration which is analysed as follows:

	Group and Company	
	2011 RM'000	2010 RM'000
Executive Directors		
- basic salaries, bonus and allowances	13,050	14,400
- defined contribution plan	1,566	1,728
Non-executive Directors		
- fees	1,706	2,203
	16,322	18,331

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

	Executive		Non-executive	
	2011	2010	2011	2010
Range of remuneration				
RM100,001 to RM150,000	-	-	2	-
RM150,001 to RM200,000	-	-	1	-
RM200,001 to RM250,000	-	-	1	-
RM250,001 to RM300,000	-	-	3	-
RM300,001 to RM350,000	-	-	1	2
RM350,001 to RM400,000	-	-	-	3
RM450,001 to RM500,000	-	-	-	1
RM4,000,001 to RM5,000,000	-	-	-	-
RM5,000,001 to RM6,000,000	-	-	-	-
RM6,000,001 to RM7,000,000	1	-	-	-
RM7,000,001 to RM8,000,000	-	1	-	-
RM8,000,001 to RM9,000,000	1	1	-	-

5 STAFF COSTS (CONTINUED)

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

Grant date	Expiry date	Exercise price RM/share	At 1.1.2011 '000	Exercised '000	Lapsed '000	At 31.12.2011 '000
1 September 2004	6 June 2014	1.08	1,200	(600)	-	600

	2011 '000	2010 '000
Number of share options vested at balance sheet date	600	1,200

6 OTHER OPERATING EXPENSES

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Impairment of investment in subsidiary	-	-	1,904	-
Property, plant and equipment				
- Written off	1,089	-	-	-
- Impairment loss	16,983	6,996	16,983	6,996
Rental of land and building	2,810	10,877	2,810	10,877
Auditors' remuneration				
- audit fees	595	586	566	556
- audit related fees	-	255	-	255
- non-audit fees	245	1,494	245	1,494
Rental of equipment	3,095	2,151	3,095	2,151
Advertising costs	40,796	28,993	36,324	26,008
Amortisation of other investments	25	12	25	12
Impairment loss on goodwill	1,404	-	-	-
Net foreign exchange (gain)/loss from operations				
- Realised	37,112	(7,125)	36,895	(7,489)
- Unrealised	(24,277)	64,601	(24,277)	64,596

Reports and Financial Statements

Notes to the Financial Statements
31 December 2011

7 OTHER LOSSES – NET

	Group and Company	
	2011 RM'000	2010 RM'000
Interest rate contracts – Held for trading	(61,422)	(42,585)
Forward foreign exchange contracts – Held for trading	-	25,391
Fuel contracts – Held for trading	4,231	832
Ineffectiveness on cash flow hedges (Note 23)	1,690	(6,054)
Total	(55,501)	(22,416)

8 OTHER INCOME

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Gain on disposals of property, plant and equipment	198,923	1,311	198,923	1,311
Others	93,434	34,632	93,233	34,056
	292,357	35,943	292,156	35,367

Other income ('others') includes brand licence fees, commission income and advertising income.

9 FINANCE INCOME/(COSTS)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Finance income:				
- deposits with licensed banks	949	826	949	826
- short term deposits with fund management companies	2,927	2,692	2,927	2,692
- interest income on amounts due from associates and jointly-controlled entities	48,467	53,925	48,467	53,925
- other interest income	13,735	9,256	13,713	9,246
	66,078	66,699	66,056	66,689
Finance costs:				
Interest expense				
- bank borrowings	(342,268)	(347,321)	(342,268)	(347,321)
- fair value movement recycled from cash flow hedge reserve	(25,739)	(27,043)	(25,739)	(27,043)
- amortisation of premiums for interest rate caps	(8,247)	(7,750)	(8,247)	(7,750)
- hire-purchase payables	(3)	(10)	(3)	(10)
Bank facilities and other charges	(1,637)	(2,216)	(1,608)	(2,212)
	(377,894)	(384,340)	(377,865)	(384,336)
Net finance costs	(311,816)	(317,641)	(311,809)	(317,647)

9 FINANCE INCOME/(COSTS) (CONTINUED)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
FOREIGN EXCHANGE (LOSSES)/GAINS				
Borrowings:				
- realised	(2,520)	(29,208)	(2,520)	(29,208)
- unrealised	(187,968)	741,334	(187,968)	741,334
- fair value movement recycled from cash flow hedge reserve	97,016	(272,612)	97,016	(272,612)
	(93,472)	439,514	(93,472)	439,514

10 TAXATION

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current taxation	18,578	16,207	18,578	16,193
Over accrual of income tax in prior years	(45)	(10,776)	(45)	(10,776)
	18,533	5,431	18,533	5,417
Deferred taxation (Note 19)	203,160	32,014	203,109	32,014
	221,693	37,445	221,642	37,431
Current taxation				
- Current financial year	18,578	16,207	18,578	16,193
- Over accrual of income tax in prior years	(45)	(10,776)	(45)	(10,776)
	18,533	5,431	18,533	5,417
Deferred taxation				
- Origination and reversal of temporary differences	208,908	197,852	208,857	197,852
- Tax incentives	(5,748)	(165,838)	(5,748)	(165,838)
	203,160	32,014	203,109	32,014
	221,693	37,445	221,642	37,431

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

10 TAXATION (CONTINUED)

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit before taxation	777,017	1,098,856	775,009	1,092,506
Tax calculated at Malaysian tax rate of 25% (2010: 25%)	194,254	274,714	193,752	273,127
Tax effects of:				
- expenses not deductible for tax purposes	61,803	18,078	62,254	19,651
- income not subject to tax	(28,594)	(79,245)	(28,594)	(79,245)
- temporary differences not recognised within the pioneer period	23	512	23	512
- tax incentives	(5,748)	(165,838)	(5,748)	(165,838)
- over accrual of income tax in prior years	(45)	(10,776)	(45)	(10,776)
Taxation	221,693	37,445	221,642	37,431

11 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	
	2011	2010
Profit for the financial year (RM'000)	555,324	1,061,411
Weighted average number of ordinary shares in issue ('000)	2,776,059	2,761,637
Earnings per share (sen)	20.0	38.4

(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 Group has dilutive potential ordinary shares arising from the Company's share options granted to employees.

11 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share (continued)

In assessing the dilution in earnings per share arising from the issue of share options, a computation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. This computation serves to determine the "bonus" element to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit for the financial year in the calculation of the diluted earnings per share from the issue of the share options.

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	
	2011	**2010**
Profit for the financial year (RM'000)	555,324	1,061,411
Weighted average number of ordinary shares in issue ('000)	2,776,059	2,761,637
Adjustment for ESOS ('000)	5,095	8,644
Weighted average number of ordinary shares for diluted earnings per share	2,781,154	2,770,281
Diluted earnings per share (sen)	20.0	38.3

12 PROPERTY, PLANT AND EQUIPMENT

	At 1 January 2011 RM'000	Additions RM'000	Disposals RM'000	Write off RM'000	Depreciation charge RM'000	Impairment loss RM'000	At 31 December 2011 RM'000
Group							
Net book value							
Aircraft engines, airframe and service potential	9,045,624	1,210,565	(1,354,961)	-	(521,438)	-	8,379,790
Aircraft spares	125,781	22,843	(1,198)	-	(21,039)	(16,983)	109,404
Aircraft fixtures and fittings	22,763	6,031	(2,940)	-	(10,199)	-	15,655
Buildings	37,387	-	-	-	(1,408)	-	35,979
Motor vehicles	6,782	585	-	(605)	(2,285)	-	4,477
Office equipment, furniture and fittings	18,617	7,699	(404)	(270)	(6,144)	-	19,498
Office renovation	2,818	4,705	-	(20)	(1,458)	-	6,045
Simulator equipment	45,684	21,869	(65,038)	-	(1,363)	-	1,152
Operating plant and ground equipment	9,408	5,753	(4)	-	(4,263)	-	10,894
Kitchen equipment	194	-	-	(194)	-	-	-
In flight equipment	1,057	664	(28)	-	(312)	-	1,381
Training equipment	1,926	1,250	-	-	(1,000)	-	2,176
	9,318,041	1,281,964	(1,424,573)	(1,089)	(570,909)	(16,983)	8,586,451

Reports and Financial Statements

Notes to the Financial Statements 31 December 2011

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
Group				
At 31 December 2011				
Aircraft engines, airframe and service potential	10,127,194	(1,747,404)	-	8,379,790
Aircraft spares	216,049	(89,662)	(16,983)	109,404
Aircraft fixtures and fittings	71,524	(55,869)	-	15,655
Buildings	41,204	(5,225)	-	35,979
Motor vehicles	18,599	(14,122)	-	4,477
Office equipment, furniture and fittings	55,602	(36,104)	-	19,498
Office renovation	15,339	(9,294)	-	6,045
Simulator equipment	4,943	(3,791)	-	1,152
Operating plant and ground equipment	33,529	(22,635)	-	10,894
Kitchen equipment	8	(8)	-	-
In flight equipment	1,968	(587)	-	1,381
Training equipment	4,348	(2,172)	-	2,176
	10,590,307	(1,986,873)	(16,983)	8,586,451

	At 1 January 2010 RM'000	Additions RM'000	Reclassi-fications RM'000	Impairment RM'000	Depreciation charge RM'000	At 31 December 2010 RM'000
Group						
Net book value						
Aircraft engines, airframe and service potential	7,676,107	1,847,573	-	(6,996)	(471,060)	9,045,624
Aircraft spares	118,694	27,118	-	-	(20,031)	125,781
Aircraft fixtures and fittings	28,342	5,902	-	-	(11,481)	22,763
Buildings	37,990	842	-	-	(1,445)	37,387
Motor vehicles	4,961	4,282	-	-	(2,461)	6,782
Office equipment, furniture and fittings	11,208	11,990	-	-	(4,581)	18,617
Office renovation	2,870	1,458	-	-	(1,510)	2,818
Simulator equipment	47,670	58	-	-	(2,044)	45,684
Operating plant and ground equipment	10,989	2,419	566	-	(4,566)	9,408
Kitchen equipment	194	-	-	-	-	194
In flight equipment	423	826	-	-	(192)	1,057
Training equipment	2,174	365	-	-	(613)	1,926
Assets not yet in operation	566	-	(566)	-	-	-
	7,942,188	1,902,833	-	(6,996)	(519,984)	9,318,041

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
Group				
At 31 December 2010				
Aircraft engines, airframe and service potential	10,476,156	(1,423,536)	(6,996)	9,045,624
Aircraft spares	195,155	(69,374)	-	125,781
Aircraft fixtures and fittings	71,504	(48,741)	-	22,763
Buildings	41,204	(3,817)	-	37,387
Motor vehicles	18,619	(11,837)	-	6,782
Office equipment, furniture and fittings	49,116	(30,499)	-	18,617
Office renovation	10,655	(7,837)	-	2,818
Simulator equipment	55,988	(10,304)	-	45,684
Operating plant and ground equipment	28,121	(18,713)	-	9,408
Kitchen equipment	202	(8)	-	194
In flight equipment	1,385	(328)	-	1,057
Training equipment	3,098	(1,172)	-	1,926
	10,951,203	(1,626,166)	(6,996)	9,318,041

	At 1 January 2011 RM'000	Additions RM'000	Disposals RM'000	Impairment loss RM'000	Depreciation charge RM'000	At 31 December 2011 RM'000
Company						
Net book value						
Aircraft engines, airframe and service potential	9,045,624	1,210,565	(1,354,961)	-	(521,438)	8,379,790
Aircraft spares	125,781	22,843	(1,198)	(16,983)	(21,039)	109,404
Aircraft fixtures and fittings	22,763	6,031	(2,940)	-	(10,199)	15,655
Buildings	37,387	-	-	-	(1,408)	35,979
Motor vehicles	6,177	585	-	-	(2,285)	4,477
Office equipment, furniture and fittings	17,987	7,600	(404)	-	(5,990)	19,193
Office renovation	2,798	4,705	-	-	(1,458)	6,045
Simulator equipment	45,684	21,869	(65,038)	-	(1,363)	1,152
Operating plant and ground equipment	9,408	5,753	(4)	-	(4,263)	10,894
In flight equipment	1,057	664	(28)	-	(312)	1,381
Training equipment	1,926	1,250	-	-	(1,000)	2,176
	9,316,592	1,281,865	(1,424,573)	(16,983)	(570,755)	8,586,146

Reports and Financial Statements

Notes to the Financial Statements 31 December 2011

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
Company				
At 31 December 2011				
Aircraft engines, airframe and service potential	10,127,194	(1,747,404)	-	8,379,790
Aircraft spares	216,049	(89,662)	(16,983)	109,404
Aircraft fixtures and fittings	71,524	(55,869)	-	15,655
Buildings	41,204	(5,225)	-	35,979
Motor vehicles	18,606	(14,129)	-	4,477
Office equipment, furniture and fittings	55,119	(35,926)	-	19,193
Office renovation	15,339	(9,294)	-	6,045
Simulator equipment	4,943	(3,791)	-	1,152
Operating plant and ground equipment	33,529	(22,635)	-	10,894
In flight equipment	1,968	(587)	-	1,381
Training equipment	4,348	(2,172)	-	2,176
	10,589,823	(1,986,694)	(16,983)	8,586,146

	At 1 January 2010 RM'000	Additions RM'000	Reclassi-fications RM'000	Impairment loss RM'000	Depreciation charge RM'000	At 31 December 2010 RM'000
Company						
Net book value						
Aircraft engines, airframe and service potential	7,676,107	1,847,573	-	(6,996)	(471,060)	9,045,624
Aircraft spares	118,694	27,118	-	-	(20,031)	125,781
Aircraft fixtures and fittings	28,342	5,902	-	-	(11,481)	22,763
Buildings	37,990	842	-	-	(1,445)	37,387
Motor vehicles	4,356	4,282	-	-	(2,461)	6,177
Office equipment, furniture and fittings	11,112	11,431	-	-	(4,556)	17,987
Office renovation	2,870	1,437	-	-	(1,509)	2,798
Simulator equipment	47,670	58	-	-	(2,044)	45,684
Operating plant and ground equipment	10,989	2,419	566	-	(4,566)	9,408
In flight equipment	423	826	-	-	(192)	1,057
Training equipment	2,174	365	-	-	(613)	1,926
Assets not yet in operation	566	-	(566)	-	-	-
	7,941,293	1,902,253	-	(6,996)	(519,958)	9,316,592

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
Company				
At 31 December 2010				
Aircraft engines, airframe and service potential	10,476,156	(1,423,536)	(6,996)	9,045,624
Aircraft spares	195,155	(69,374)	-	125,781
Aircraft fixtures and fittings	71,504	(48,741)	-	22,763
Buildings	41,204	(3,817)	-	37,387
Motor vehicles	18,021	(11,844)	-	6,177
Office equipment, furniture and fittings	48,462	(30,475)	-	17,987
Office renovation	10,634	(7,836)	-	2,798
Simulator equipment	55,988	(10,304)	-	45,684
Operating plant and ground equipment	28,121	(18,713)	-	9,408
In flight equipment	1,385	(328)	-	1,057
Training equipment	3,098	(1,172)	-	1,926
	10,949,728	(1,626,140)	(6,996)	9,316,592

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

	Group and Company	
	2011 RM'000	2010 RM'000
Net book value of owned aircraft sub-leased out	3,068,452	3,445,485
Aircraft pledged as security for borrowings (Note 31)	8,363,292	9,030,028
Simulator pledged as security for borrowings (Note 31)	-	41,371
Motor vehicles on hire-purchase	-	16

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.

Reports and Financial Statements

Notes to the Financial Statements
31 December 2011

13 INVESTMENT IN SUBSIDIARIES

	Company 2011 RM'000	Company 2010 RM'000
Unquoted investments, at cost	27,316	27,316
Less: Accumulated impairment losses	(3,836)	(1,932)
	23,480	25,384
At 1 January	25,384	22,194
Additional investment in a subsidiary	-	3,190
	25,384	25,384
Less: Impairment loss in investment in a subsidiary	(1,904)	-
At 31 December	23,480	25,384

Management has performed an assessment on the carrying amount of investment in a subsidiary, Crunchtime Culinary Services Sdn Bhd ("Crunchtime"). Crunchtime is currently dormant. Arising from the above assessment, the Company recognised an impairment charge of RM1,904,000 (2010: Nil) during the financial year ended 31 December 2011.

The details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective equity interest 2011 %	Group's effective equity interest 2010 %	Principal activities
Directly held by the Company				
Crunchtime Culinary Services Sdn Bhd	Malaysia	100.0	100.0	Provision of in flight meals, currently dormant
AirAsia Investment Ltd ("AAIL") * (formerly known as AA International Ltd)	Malaysia	100.0	100.0	Investment holding
AirAsia Go Holiday Sdn Bhd ("AGH")	Malaysia	100.0	100.0	Tour operating business
AirAsia (Mauritius) Limited*	Mauritius	100.0	100.0	Providing aircraft leasing facilities to Thai AirAsia Co. Ltd
Airspace Communications Sdn Bhd	Malaysia	100.0	100.0	Media owner with publishing division, currently dormant
AirAsia (B) Sdn Bhd *	Negara Brunei Darussalam	100.0	100.0	Providing air transportation services, currently dormant

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name	Country of incorporation	Group's effective equity interest 2011 %	2010 %	Principal activities
Directly held by the Company				
AirAsia Corporate ServicesLimited *	Malaysia	100.0	100.0	Facilitate business transactions for AirAsia Group with non-resident goods and service providers
Aras Sejagat Sdn Bhd	Malaysia	100.0	100.0	Special purpose vehicle for financing arrangements required by AirAsia
Koolred Sdn Bhd ("Koolred")	Malaysia	100.0	100.0	Investment holding
Asia Air Limited *	United Kingdom	100.0	100.0	To provide and promote AirAsia's in flight food to the European market, currently dormant
Held by AGH				
AirAsia Exp Pte. Ltd("AAE") *	Singapore	100.0	-	Investment holding
Held by AAIL				
AirAsia (Hong Kong) Limited *	Hong Kong	100.0	100.0	Dormant
AA Capital Ltd *	Malaysia	100.0	100.0	Dormant

* Not audited by PricewaterhouseCoopers, Malaysia

On 6 June 2011, a wholly-owned subsidiary, AirAsia Exp Pte Ltd ("AAE"), was incorporated in Singapore to facilitate the online travel agency business which AirAsia and Expedia Inc. have agreed to set up via a jointly controlled entity, AAE Travel Pte. Ltd. (Note 14).

The initial share capital of of AAE is SGD 1.00 comprising of 1 ordinary share of SGD 1.00.

14 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Represented by:				
Unquoted investment, at cost	123,728	12,054	81,559	-
Share of post-acquisition reserves	(74)	(12,054)	-	-
	123,654	-	81,559	-

The details of the jointly controlled entity are as follows:

Name	Country of incorporation	Group's effective equity interest 2011 %	2010 %	Principal activities
Think Big Digital Sdn Bhd	Malaysia	50.0	-	Financial services
Asian Aviation Centre of Excellence Sdn Bhd	Malaysia	50.0	-	Aviation training
Held by AAIL				
Thai AirAsia Co. Ltd ("Thai AirAsia")	Thailand	48.9	48.9	Commercial air transport services
Held by AAE				
AAE Travel Pte Ltd	Singapore	50.0	-	Online travel agency

Acquisitions of interest in jointly controlled entities during the financial year ended 31 December 2011

(a) On 29 March 2011, the Company entered into a joint venture with Expedia Inc ("Expedia") for the purpose of establishing an online Travel Agency. The joint venture shall operate through a joint venture company incorporated in Singapore on 19 August 2011, AAE Travel Pte. Ltd. ("AAE Travel"), to be equally owned by the Company and Expedia.

The initial share capital of AAE Travel is SGD 24,577,000 comprising 24,577,000 ordinary shares of SGD1.00 each.

(b) On 20 June 2011, the Company entered into a joint venture with CAE International Holding Ltd ("CAE") for the purpose of setting up an aviation academy providing training services for pilots, cabin crew, engineers, ramps handlers, guest services and aviation management. The joint venture shall operate through a joint venture company, Asian Aviation Centre of Excellence Sdn Bhd ("AACOE"), to be equally owned by the Company and CAE.

The initial share capital of AACOE is RM165,560,000 comprising 165,560,000 ordinary shares of RM1.00 each.

(c) On 20 September 2011, the Company entered into a joint venture with Tune Money Sdn Bhd ("Tune Money") in relation to the launch of a customer loyalty program and pre-paid card services under the brand "BIG". The joint venture shall operate through a joint venture company, Think Big Digital Sdn Bhd ("Think Big Digital") to be equally owned by the Company and Tune Money.

The initial share capital of Think Big Digital is RM2 comprising ordinary shares of RM1.00 each.

14 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

The Group's share of the results of the jointly controlled entities, which have been equity accounted for, is as follows:

	2011 RM'000	2010 RM'000
Revenue	61,334	-
Net profit for the financial year	11,980	-

The Group's share of assets and liabilities of the jointly controlled entities is as follows:

	2011 RM'000	2010 RM'000
Non-current assets	97,546	-
Current assets	51,137	-
Current liabilities	(25,029)	-
Share of net assets of the jointly controlled entity	123,654	-

The Group discontinued recognition of its share of profits made by Thai AirAsia as the Group's interest in the jointly controlled entity has been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of the jointly controlled entity. As at 31 December 2011, the unrecognised amount of the Group's share of losses of Thai AirAsia which has not been equity accounted for amounted to RM28.5 million (2010: RM127.8 million).

15 INVESTMENT IN ASSOCIATES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Unquoted investment, at cost	48,843	4,141	29	29
Group's share of post-acquisition losses	(9,764)	(4,112)	-	-
	39,079	29	29	29

15 INVESTMENT IN ASSOCIATES (CONTINUED)

The details of the associates are as follows:

Name	Country of incorporation	Group's effective equity interest 2011 %	Group's effective equity interest 2010 %	Principal activities
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
Held by AAIL				
PT Indonesia AirAsia ("IAA")	Indonesia	48.9	48.9	Commercial air transport services
AirAsia Go Holiday Co. Ltd	Thailand	49.0	49.0	Tour operating business, currently dormant
AirAsia Inc	Philippines	40.0	40.0	Commercial air transport services
AirAsia Japan Co., Ltd	Japan	49.0	-	Commercial air transport services
AirAsia Pte Ltd	Singapore	48.9	48.9	Dormant
Held by Koolred				
Flight Focus Pte Ltd	Singapore	20.0	-	Aeronautical services
Merlot Aero Limited	New Zealand	12.5	-	Aeronautical services

15 INVESTMENT IN ASSOCIATES (CONTINUED)

The Group's share of the results of associates, which has been equity accounted for, is as follows:

	2011 RM'000	2010 RM'000
Revenue	271	-
Net loss for the financial year	(5,652)	-

The Group's share of assets and liabilities of the associates is as follows:

	2011 RM'000	2010 RM'000
Non-current assets	17,488	-
Current assets	29,860	29
Current liabilities	(8,201)	-
Non-current liabilities	(68)	-
Share of net assets of associates	39,079	29

The Group discontinued recognition of its share of profits made by IAA as the Group's interest in this associate has been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of the associate. As at 31 December 2011, the unrecognised amounts of the Group's share of losses of IAA which have not been equity accounted for amounted to RM186.0 million (2010: RM196.6 million).

Acquisitions of interest in significant associates during the financial year ended 31 December 2011

On 21 July 2011, the Company entered into a shareholders' agreement with All Nippon Airways Co., Ltd of Japan for the purpose of forging a joint venture co-operation to establish a low cost airline in Japan. The venture shall operate through a Japan incorporated entity, AirAsia Japan Co., Ltd ("AirAsia Japan").

The initial share capital of AirAsia Japan is JPY 490,000,000 comprising 9,800 ordinary shares of JPY50,000 each.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2011 RM'000	2010 RM'000
Non-current		
At 1 January	152,942	132,663
Additions	-	16,000
Fair value gain – recognised in other comprehensive income	-	4,279
At 31 December	152,942	152,942

The Group has an investment in an unquoted corporation, AirAsia X Sdn Bhd, which is classified as available-for-sale financial assets. The fair value of the investment is based on cash flow projection discounted using a rate representing the risk of the investment in the specific market of 13% per annum. The valuation of an available-for-sale equity investment requires a high degree of subjectivity and significant judgement. In making this judgement, the Group is dependent on the key bases and assumptions which include, amongst other factors, the prices of fuel, fares, load factor, currency movements; and the financial health of, and short term business outlook for the investee, including factors such as industry and route performance, changes in technology and operational and financing cash flows. The maximum exposure to credit risk at the reporting date is the carrying value of the security. This financial asset is neither past due nor impaired.

Reports and Financial Statements

Notes to the Financial Statements
31 December 2011

17 OTHER INVESTMENTS

	Group and Company	
	2011 RM'000	2010 RM'000
Non-current:		
Recreational golf club membership	-	25
At 1 January	25	37
Amortisation of other investments (Note 6)	(25)	(12)
At 31 December	-	25

18 GOODWILL

	Group	
	2011 RM'000	2010 RM'000
Cost		
At 1 January	8,738	8,738
Impairment loss charged for the year (Note 6)	(1,404)	-
At 31 December	7,334	8,738

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

	Group	
	2011 RM'000	2010 RM'000
Cost		
AirAsia Investment Ltd ("AAIL") (formerly known as AA International Ltd)	7,334	7,334
Crunchtime Culinary Services Sdn Bhd ("Crunchtime")	-	1,404
	7,334	8,738

Goodwill allocated to Crunchtime

Management has performed an annual assessment on the carrying amount of goodwill allocated to Crunchtime. Crunchtime is currently dormant. Arising from the above assessment, the Group recognised an impairment charge of RM1,404,000 (2010: Nil) during the financial year ended 31 December 2011.

19 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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deferred tax assets	516,100	719,260	516,151	719,260

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At start of financial year	719,260	751,274	719,260	751,274
(Charged)/credited to income statement (Note 10)				
- Property, plant and equipment	(208,908)	(197,852)	(208,857)	(197,852)
- Tax incentives	5,748	165,838	5,748	165,838
	(203,160)	(32,014)	(203,109)	(32,014)
At end of financial year	516,100	719,260	516,151	719,260
Deferred tax assets (before offsetting)				
Tax incentives	997,483	991,735	997,483	991,735
Tax losses	9,171	9,171	9,171	9,171
	1,006,654	1,000,906	1,006,654	1,000,906
Offsetting	(490,554)	(281,646)	(490,503)	(281,646)
Deferred tax assets (after offsetting)	516,100	719,260	516,151	719,260

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(490,554)	(281,646)	(490,503)	(281,646)
Offsetting	490,554	281,646	490,503	281,646
Deferred tax liabilities (after offsetting)	-	-	-	-

As disclosed in Note 3 to the financial statements in respect of critical accounting estimates and judgements, 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.

Reports and Financial Statements

Notes to the Financial Statements
31 December 2011

20 RECEIVABLES AND PREPAYMENTS

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Non-current:				
Long term prepayments	15,548	23,593	15,548	23,593
Current:				
Trade receivables	123,269	105,325	107,930	93,911
Less: Allowance for impairment	(1,458)	(1,994)	(1,458)	(1,994)
	121,811	103,331	106,472	91,917
Other receivables	143,746	124,045	130,623	110,815
Less: Allowance for impairment	(1,608)	(1,072)	(1,608)	(1,072)
	142,138	122,973	129,015	109,743
Prepayments	472,443	326,049	472,302	325,516
Deposits for maintenance of aircraft	50,352	38,034	50,352	38,034
Deposits – cash collateral for derivatives	238,489	177,729	238,489	177,729
Other deposits	84,542	73,006	84,495	72,982
	1,109,775	841,122	1,081,125	815,921

Credit terms of trade receivables range from 30 to 60 days (2010: 30 to 60 days).

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

Receivables that are neither past due nor impaired of RM198,242,000 and RM169,780,000 (2010: RM172,135,000 and RM147,491,000) for the Group and Company respectively, are substantially companies with a 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 RM65,707,000 (2010: RM54,169,000). These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables that are past due but not impaired is as follows:

	Group and Company 2011 RM'000	Group and Company 2010 RM'000
Up to 3 months	24,166	15,766
Over 3 months	41,541	38,403
	65,707	54,169

20 RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

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

	Group and Company	
	2011 RM'000	2010 RM'000
Over 3 months	3,066	3,066
Less: Allowance for impairment	(3,066)	(3,066)
	-	-

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.

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 receivable mentioned above. The Group does not hold any collateral as security.

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
RM	208,305	122,123	208,255	97,466
USD	361,610	353,417	333,151	353,417
Others	67,417	39,533	67,417	39,522
	637,332	515,073	608,823	490,405

Included in long term prepayments is prepaid lease rental, which is charged to the income statement over the term of the lease of the low cost carrier terminal building.

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

Other receivables include insurance claimable and advances paid to airport authorities.

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

21 DEPOSITS ON AIRCRAFT PURCHASE

Deposits on aircraft purchases represent amounts advanced towards the final cost of aircraft to be delivered to the Company. Amounts advanced on aircraft to be delivered more than 12 months from the balance sheet date are classified as non-current.

22 AMOUNTS DUE FROM/(TO) ASSOCIATES

	Group and Company	
	2011 RM'000	2010 RM'000
Amounts due from associates	803,106	280,350
Amount due to associates	(4,444)	(5,223)
	798,662	275,127

The analysis of the movements in the amounts due from associates for the financial year ended 31 December 2011 is as follows:

	Group and Company	
	2011 RM'000	2010 RM'000
At 1 January	280,350	440,126
Recharges and other expenses	427,103	520,800
Advance for purchase of aircraft	565,965	-
Receipts and settlements	(492,908)	(618,226)
Foreign exchange gain/(loss) on translation	10,403	(66,998)
Unwinding of discount on receivables per FRS 139	12,193	4,648
At 31 December	803,106	280,350
Current	289,492	162,386
Non-current	513,614	117,964
	803,106	280,350

Amounts due from associates include an amount of RM565,965,000 relating to advances for purchase of aircraft to PT Indonesia AirAsia ("IAA") in 2011 for the financing of aircraft and are repayable over a term of up to 9 years at interest rates between 6.16% to 6.65% per annum. From this amount of RM565,965,000, RM513,614,000 is repayable after 12 months. The Company holds the aircraft as collateral. Other amounts due from associates were charged interest at 6% per annum with effect from 1 January 2010.

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

Amounts due from associates that are neither past due nor impaired is RM695,336,000 (2010: RM130,200,000).

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

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

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

Amounts due from associates that are past due but not impaired amounted to RM107,770,000 (2010: RM150,150,000). The ageing analysis of these amounts is as follows:

	Group	
	2011 RM'000	**2010 RM'000**
Up to 3 months	106,776	130,200
Over 3 months	994	19,950
	107,770	150,150

The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from associates mentioned above. Other than as disclosed above, the Group does not hold any collateral as security.

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

	Group and Company	
	2011 RM'000	**2010 RM'000**
Amounts due from associates		
- United States Dollar ("USD")	798,586	268,058
- Philippines Peso ("PHP")	4,520	12,292
	803,106	280,350
Amount due to an associate		
- Singapore Dollar ("SGD")	(4,444)	(5,223)

23 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company			
	2011		2010	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Non-current				
Interest rate swaps – cash flow hedges	-	(337,083)	-	(211,457)
Interest rate swaps – held for trading	-	(113,847)	-	(105,545)
Interest rate caps – held for trading	5,507	-	23,306	-
Forward foreign exchange contracts – cash flow hedges	36,329	(32,124)	2,238	(132,656)
Forward foreign exchange contracts – held for trading	2,975	(5,267)	-	(3,207)
Total	44,811	(488,321)	25,544	(452,865)

	Group and Company			
	2011		2010	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Current				
Interest rate swaps – held for trading	-	(35,322)	-	-
Forward foreign exchange contracts – held for trading	-	(2,689)	-	-
Commodity derivatives – cash flow hedges	3,428	-	-	-
Commodity derivatives – held for trading	4,231	-	-	-
Total	7,659	(38,011)	-	-

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 quality for hedge accounting.

23 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The ineffective portion recognised in the income statement arising from cash flow hedges amounted to a gain of RM1.7 million (2010: RM6.1 million loss) (Note 7).

	2011		2010	
	Notional amount RM'000	Fair value RM'000	Notional amount RM'000	Fair value RM'000
Interest rate caps	427,544	5,507	635,877	23,306
Interest rate swaps	3,789,186	(486,251)	2,684,830	(317,000)
Cross currency interest rate swaps	180,660	(12,481)	198,491	(11,357)
Forward foreign exchange contracts	3,616,486	11,705	3,522,199	(122,270)
Commodity derivatives	1,200,000*	7,659	-	-

*: in barrels

(i) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2011 were RM3.797 billion (2010: RM3.721 billion).

As at 31 December 2011, the Group has hedged approximately 64% of its USD liabilities pertaining to its aircraft, engine and simulator loans into Malaysian Ringgit ("RM") by using long dated foreign exchange forward contracts to manage its foreign currency risk. The latest weighted average foreign forward exchange rate is at 3.2392 USD:RM. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 December 2011 will be continuously released to the income statement within finance cost until the full repayment of the term loans (Note 31).

(ii) Interest rate contracts

The notional principal amounts of the outstanding interest rate contracts at 31 December 2011 were RM4.217 billion (2010: RM3.321 billion).

The Group has entered into interest rate contracts to hedge against fluctuations in the USD LIBOR on its existing and highly probable future floating rate aircraft financing for aircraft delivered from 2005 to 2012. As at 31 December 2011, the Group has hedged all its existing and future floating aircraft loans at strike rates between 2.05% per annum and 5.20% per annum via interest rate swaps, interest rate caps and cross-currency swaps. Out of the RM7.8 billion borrowings, the Group has hedged 15% of the term loans and 66% of the finance lease liabilities (Note 31). Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 December 2011 will be continuously released to the income statement within finance cost until the full repayment of the term loans (Note 31).

(iii) Fuel contracts

The outstanding number of barrels of Brent and Singapore Jet Kerosene derivative contract at 31 December 2011 was 1.2 million (2010: Nil).

As at 31 December 2011, the Group has entered into Brent fixed swap which represents up to 18% of the Group's total expected fuel volume for the first half of 2012. The Group has also entered into Singapore Jet Kerosene fixed swap which represents an additional 9% of the Group's total expected fuel volume for the first half of 2012. This is to hedge against the fuel price risk that the Group is exposed to and the latter qualifies for hedge accounting. Gains and losses recognised in the hedging reserve in equity on fuel contracts as of 31 December 2011 are recognised in the income statement in the period or periods during which the hedged forecast transactions affect the income statement.

24 INVENTORIES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Spares and consumables	13,515	14,304	13,515	14,304
In flight merchandise and others	6,215	3,249	6,215	2,701
	19,730	17,553	19,730	17,005

25 AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured, interest bearing and have no fixed terms of repayment. These balances are neither past due nor impaired.

26 AMOUNTS DUE FROM/(TO) JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Amounts due from jointly controlled entities	4,526	99,802	4,526	-
Amounts due to jointly controlled entities	(19,761)	-	(50,087)	(322,614)
	(15,235)	99,802	(45,561)	(322,614)

Amounts due from/(to) jointly controlled entity include amount due (to)/from Thai AirAsia Co. Ltd ("TAA"), a jointly controlled entity which is denominated in US Dollar, unsecured, has no fixed terms of repayment and is interest bearing at a rate equivalent to the Company's borrowing rate. The amount due from TAA was charged interest at 6% per annum with effect from 1 January 2010.

The analysis of the movements in the amount due from jointly controlled entities for the financial year ended 31 December 2011 is as follows:

	Group	
	2011 RM'000	2010 RM'000
Current		
At 1 January	99,802	350,926
Recharges and other expenses	426,647	468,082
Receipts and settlements	(550,882)	(684,781)
Foreign exchange loss on translation	(1,265)	(39,424)
Unwinding of discount on receivables per FRS 139	10,463	4,999
At 31 December	(15,235)	99,802

26 AMOUNTS DUE FROM/(TO) JOINTLY CONTROLLED ENTITIES (CONTINUED)

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

	Group	
	2011 RM'000	2010 RM'000
Amounts due to joint venture entities		
- United States Dollar ("USD")	(15,577)	-
- Singapore Dollar ("SGD")	(4,184)	-
	(19,761)	-
Amounts due from joint venture entities		
- United States Dollar ("USD")	-	99,802
- Malaysian Ringgit ("MYR")	4,526	-
	4,526	99,802
	(15,235)	99,802

27 CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and bank balances	1,339,527	681,859	1,314,229	676,303
Deposits with licensed banks	659,237	719,439	659,237	719,439
Short term deposits with fund management companies	106,246	103,319	106,246	103,319
Deposits, cash and bank balances	2,105,010	1,504,617	2,079,712	1,499,061
Deposits pledged as securities	(12,394)	(28,789)	(12,394)	(28,789)
	2,092,616	1,475,828	2,067,318	1,470,272

Reports and Financial Statements

Notes to the Financial Statements
31 December 2011

27 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Malaysian Ringgit	818,728	784,672	817,261	783,031
United States Dollar	216,220	211,677	192,570	207,851
Singapore Dollar	287,258	172,680	287,234	172,640
Australian Dollar	254,833	118,327	254,828	118,327
Chinese Renminbi	163,696	63,898	163,696	63,898
Hong Kong Dollar	132,185	63,428	132,167	63,428
India Rupee	87,934	41,802	87,944	41,802
Thai Baht	3,019	17,403	2,885	17,361
Indonesian Rupiah	82,941	10,691	82,941	10,691
Brunei Dollar	9,058	9,288	9,058	9,288
Euro	4,704	397	4,704	392
Philippine Peso	4,468	-	4,468	-
Vietnamese Dong	15,544	-	15,544	-
British Pound	19,717	-	19,717	-
Others	4,705	10,354	4,695	10,352
	2,105,010	1,504,617	2,079,712	1,499,061

The deposits with licensed banks are pledged as security for banking facilities granted to the Company.

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

	Group		Company	
	2011 %	2010 %	2011 %	2010 %
Deposits with licensed banks	2.80	2.62	2.80	2.62
Short term deposits with fund management companies	2.83	2.64	2.83	2.64

28 TRADE AND OTHER PAYABLES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade payables	81,268	53,178	57,428	31,710
Accrual for fuel	162,577	121,725	162,577	121,725
Aircraft maintenance accruals	409,628	254,036	409,628	254,036
Other payables and accruals	483,759	484,004	473,430	476,873
	1,137,232	912,943	1,103,063	884,344

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

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
RM	525,939	343,518	525,939	314,919
USD	583,942	553,608	549,773	553,608
Others	27,351	15,817	27,351	15,817
	1,137,232	912,943	1,103,063	884,344

29 AMOUNTS DUE TO SUBSIDIARIES AND A RELATED PARTY

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

30 HIRE-PURCHASE PAYABLES

These amounts represent future instalments under hire-purchase agreements, repayable as follows:

	Group and Company	
	2011 RM'000	2010 RM'000
Minimum payments:		
- Not later than 1 year	-	19
Less: Future finance charges	-	(4)
Present value of liabilities	-	15

30 HIRE-PURCHASE PAYABLES (CONTINUED)

	Group and Company	
	2011 RM'000	2010 RM'000
Present value of liabilities:		
- Not later than 1 year	-	15

Liabilities under hire-purchase agreements were effectively secured as the rights to the assets revert to the financiers in the event of default.

As at 31 December 2011, the effective interest rate applicable to the hire-purchase liabilities was Nil % (2010: 3.75%) per annum for the Group and Company. The entire balance was denominated in Ringgit Malaysia.

31 BORROWINGS

	Group and Company			
	Weighted average rate of finance 2011 %	Weighted average rate of finance 2010 %	2011 RM'000	2010 RM'000
Current:				
Term loans	4.02	4.09	498,501	493,211
Finance lease liabilities	3.02	5.50	86,248	51,689
Commodity Murabaha Finance	4.92	4.46	9,482	9,067
			594,231	553,967
Non-current:				
Term loans	4.02	4.09	5,376,455	5,906,715
Finance lease liabilities	3.02	5.50	1,300,834	876,929
Commodity Murabaha Finance	4.92	4.46	89,630	99,240
Sukuk	4.85	4.85	420,000	420,000
			7,186,919	7,302,884
Total borrowings			7,781,150	7,856,851

31 BORROWINGS (CONTINUED)

The Group's borrowings are repayable as follows:

	Group and Company	
	2011 RM'000	2010 RM'000
Not later than 1 year	594,231	553,967
Later than 1 year and not later than 5 years	3,078,462	2,863,736
Later than 5 years	4,108,457	4,439,148
	7,781,150	7,856,851
The currency exposure profile of borrowings is as follows:		
RM	519,112	528,307
USD	7,137,886	7,204,819
EURO	124,152	123,725
	7,781,150	7,856,851

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

	Group and Company			
	2011		2010	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Term loans	5,376,455	4,422,920	5,906,715	4,743,235
Finance lease liabilities	1,300,834	1,083,215	876,929	617,939
Commodity Murabaha Finance	89,630	72,684	99,240	80,085
Sukuk	420,000	400,572	420,000	382,043
	7,186,919	5,979,391	7,302,884	5,823,302

The fair values of the current borrowings equal their carrying amounts, as the impact of discounting is not significant. The fair values are based on cash flows discounted using borrowing rates of 3.02% to 4.92% (2010: 3.8%) per annum.

The above term loans, finance lease liabilities (Ijarah) and Commodity Murabaha Finance are for the purchase of aircraft, spare engines and simulators.

The repayment terms of term loans and finance lease liabilities 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.

Reports and Financial Statements

Notes to the Financial Statements
31 December 2011

31 BORROWINGS (CONTINUED)

The Commodity Murabaha Finance is secured by a second priority charge over the aircraft.

The purpose of the Sukuk is to fund the Company's capital expenditure and working capital. The Sukuk is secured by the following:

(i) An unconditional and irrevocable bank guarantee provided by financial institutions; and

(ii) An assignment over the proceeds of the Ijarah Service Reserve Account opened by the Company pursuant to the exercise.

The Group has the following undrawn borrowing facilities:

	2011 RM'000	2010 RM'000
Fixed rate:		
- expiring within one year	-	48,000

32 SHARE CAPITAL

	Group and Company	
	2011 RM'000	2010 RM'000
Authorised:		
Ordinary shares of RM0.10 each:		
At beginning and end of the financial year	500,000	500,000
Issued and fully paid up:		
Ordinary shares of RM0.10 each:		
At beginning of the financial year	277,344	275,774
Issued during the financial year	465	1,570
At end of the financial year	277,809	277,344

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM277,343,608 to RM277,808,558 by way of issuance of 4,649,500 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 RM4,556,510, 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.

During the previous financial year, the Company increased its issued and paid-up ordinary share capital from RM275,774,458 to RM277,343,608 by way of issuance of 15,691,500 ordinary shares of RM0.10 each pursuant to the exercise of the ESOS at an exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM15,377,670 had been credited to the Share Premium account.

32 SHARE CAPITAL (CONTINUED)

The new ordinary shares issued during the previous 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 previous 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.

The main features of the ESOS are as follows:

(a) The maximum number of ordinary shares, which may be allotted pursuant to the exercise of options under the Scheme, shall not exceed ten per cent (10.0%) of the issued and paid-up share capital of the Company at any point in time during the duration of the Scheme.

(b) The Option Committee may from time to time decide the conditions of eligibility to be fulfilled by an Eligible Person in order to participate in the Scheme.

(c) The aggregate number of shares to be offered to any Eligible Person who has fulfilled the eligibility criteria for the time being by way of options in accordance with the Scheme shall be at the discretion of the Option Committee. The Option Committee may consider circumstances such as the Eligible Person's scope of responsibilities, performance in the Group, rank or job grade, the number of years of service that the Eligible Person has rendered to the Group, the Group's retention policy and whether the Eligible Person is serving under an employment contract for a fixed duration or otherwise. The Option Committee's decision shall be final and binding.

(d) The maximum number of shares allocated to Executive Directors, Non-Executive Directors and senior management by way of options shall in aggregate not exceed fifty per cent (50.0%) of the total number of shares (or such other percentage as may be permitted by the relevant regulatory authorities from time to time) available under the Scheme.

(e) The subscription price, in respect of options granted prior to the date of listing in Bursa Malaysia, shall be RM1.08 per share.

(f) The options granted are exercisable one year beginning from the date of grant.

The shares to be allotted and issued upon any valid exercise of options will, upon such allotment and issuance, rank pari passu in all respects with the existing and issued shares except that such shares so issued will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to shareholders prior to the date of allotment of such shares. The options shall not carry any right to vote at a general meeting of the Company.

The Company granted 93,240,000 options at an exercise price of RM1.08 per share under the ESOS scheme on 1 September 2004, which expired on 6 June 2009. During the financial year ended 31 December 2009, the validity of this ESOS scheme was extended to 6 June 2014.

At 31 December 2011, options to subscribe for 5,560,000 (2010: 10,437,000) ordinary shares of RM0.10 each at the exercise price of RM1.08 per share remain unexercised. These options granted do not confer any right to participate in any share issue of any other company.

Reports and Financial Statements

Notes to the Financial Statements 31 December 2011

32 SHARE CAPITAL (CONTINUED)

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

The Main features of the ESOS are as follows: (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 RM/share	At 1.1.2011 '000	Granted '000	Exercised '000	Lapsed '000	At 31.12.2011 '000
1 September 2004	6 June 2014	1.08	10,437	-	4,650	227	5,560

Grant date	Expiry date	Exercise price RM/share	At 1.1.2010 '000	Granted '000	Exercised '000	Lapsed '000	At 31.12.2010 '000
1 September 2004	6 June 2014	1.08	26,461	-	15,692	332	10,437

	2011 '000	2010 '000
Number of share options vested at balance sheet date	5,560	10,437

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

Exercise date	Quoted price of shares at share issue date RM/share	Exercise price RM/share	Number of shares issued '000
January 2011 to March 2011	2.35 – 3.04	1.08	2,080
April 2011 to June 2011	2.50 – 3.56	1.08	543
July 2011 to September 2011	2.68 – 4.20	1.08	1,820
October 2011 to December 2011	2.88 – 4.00	1.08	207
			4,650

32 SHARE CAPITAL (CONTINUED)

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

	2011 RM'000	2010 RM'000
Ordinary share capital at par	465	1,570
Share premium	4,556	15,378
Proceeds received on exercise of share options	5,021	16,948
Fair value at exercise date of shares issued	14,222	32,182

33 RETAINED EARNINGS

Under the single-tier tax system introduced by the Finance Act, 2007 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.

Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2007.

As at 31 December 2011, the Company has sufficient Section 108 tax credits to pay approximately RM Nil (2010: RM19.0 million) of its retained earnings as franked dividends.

In addition, the Company has tax exempt income as at 31 December 2011 amounting to approximately RM Nil (2010: RM0.5 million) available for distribution as tax exempt dividends to shareholders.

34 DIVIDEND

Dividend declared or proposed by the Company is as follows:

	2011		2010	
	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 2010:				
Gross dividend of 0.91 sen less 25% tax	0.91	18,946	-	-
Tax exempt dividend	0.02	555	-	-
Single-tiered dividend	2.07	57,464	-	-
	3.0	76,965	-	-

At the date of this report the Directors have not recommended the payment of any dividend for the financial year ended 31 December 2011.

35 COMMITMENTS

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

	Group and Company 2011 RM'000	Group and Company 2010 RM'000
Property, plant and equipment:		
Approved and contracted for	40,079,667	12,829,657
Approved but not contracted for	16,841,539	7,931,251
	56,921,206	20,760,908
Property, plant and equipment:		
Share of a jointly controlled entity's capital commitments	-	17,100
Share of an associate's capital commitments	-	8,626

The capital commitments for the Group and Company are in respect of aircraft purchase.

(b) Non-cancellable operating leases

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

	Group and Company			
	2011		2010	
	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	143,270	534,854	49,469	422,224
Later than 1 year and not later than 5 years	547,952	1,626,436	172,266	768,539
Later than 5 years	726,171	438,013	194,136	-
	1,417,393	2,599,303	415,871	1,190,763

Sublease receipts include lease receipts from both owned and leased aircraft from Thai AirAsia Co. Ltd, PT Indonesia AirAsia and AirAsia Inc.

36 CONTINGENT LIABILITIES

At the balance sheet date, there were no contingent liabilities which are expected to have a material impact on the financial statements of the Group or Company.

37 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.

The Group's operations are conducted predominantly in Malaysia.

38 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 2011 are as follows:

Related companies	**Relationship**
AirAsia Go Holiday Sdn Bhd	Subsidiary
AirAsia (Mauritius) Limited	Subsidiary
AirAsia Investment Limited (formerly known as AA International Limited)	Subsidiary
Crunchtime Culinary Services Sdn Bhd	Subsidiary
Koolred Sdn Bhd	Subsidiary
AirAsia Philippines Inc	Associate
PT Indonesia AirAsia	Associate of a subsidiary
AirAsia Inc	Associate of a subsidiary
AirAsia Pte Limited	Associate of a subsidiary
Asian Aviation Centre of Excellence Sdn Bhd	Jointly controlled entity
Thai AirAsia Co. Ltd	Jointly controlled entity of a subsidiary
AirAsia X Sdn Bhd	Company with common 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 38(g) below.

38 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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.

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(a) Income:				
Aircraft operating lease income for owned and leased aircraft				
- Thai AirAsia Co. Ltd	270,123	223,553	270,123	223,553
- PT Indonesia AirAsia	218,313	172,390	218,313	172,390
- AirAsia Inc	6,980	-	6,980	-
Gain on disposal of aircraft to PT Indonesia AirAsia	61,616	-	61,616	-
Services charged to AirAsia X Sdn Bhd, a company with common Directors and shareholders	35,833	85,845	35,833	85,845
(b) Recharges:				
Maintenance and overhaul charges to				
- Thai AirAsia Co. Ltd	-	24,363	-	24,363
- PT Indonesia AirAsia	9,022	12,164	9,022	12,164
Recharges of expenses to				
- PT Indonesia AirAsia	97,611	91,984	97,611	91,984
- Thai AirAsia Co. Ltd	86,024	71,038	86,024	71,038
Recharges of expenses by				
- Thai AirAsia Co. Ltd	(30,004)	(45,635)	(30,004)	(45,635)
(c) Other charges:				
Maintenance reserve fund charged to				
- PT Indonesia AirAsia	79,283	67,184	79,283	67,184
- Thai AirAsia Co. Ltd	93,624	189,330	93,624	189,330
Interest charges to				
- PT Indonesia AirAsia	22,178	23,590	17,827	23,590
- Thai AirAsia Co. Ltd	14,691	20,687	14,691	20,687
Interest charged by				
- Thai AirAsia Co. Ltd	(11,058)	-	(11,058)	-

38 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(d) Advance for purchase of aircraft:				
- PT Indonesia AirAsia	565,965	-	565,965	-
(e) Receivables:				
- AirAsia (Mauritius) Limited	-	-	53,484	422,415
- AirAsia Investment Limited	-	-	39,670	7,208
- Koolred Sdn Bhd	-	-	12,240	-
- Crunchtime Culinary Services Sdn Bhd	-	-	-	2,757
- Thai AirAsia Co. Ltd	-	99,802	-	-
- Asian Aviation Centre of Excellence Sdn Bhd	4,526	-	4,526	-
- PT Indonesia AirAsia	796,345	268,058	796,345	268,058
- AirAsia Philippines Inc	4,520	12,292	4,520	12,292
- AirAsia Inc	2,241	-	2,241	-
(f) Payables:				
- AirAsia Go Holiday Sdn Bhd	-	-	5,605	44,251
- Thai AirAsia Co. Ltd	15,576	-	50,087	322,614
- AAE Travel Pte Ltd	4,185	-	-	-
- AirAsia Pte Limited	4,444	5,223	4,444	5,223
- AirAsia X Sdn Bhd	10,560	41,262	10,560	41,262
(g) Key management compensation:				
- basic salaries, bonus and allowances	26,285	24,774	26,285	24,774
- defined contribution plan	2,840	2,730	2,840	2,730
	29,125	27,504	29,125	27,504

Included in the key management compensation are Executive Directors' remuneration as disclosed in Note 5.

39 FINANCIAL RISK MANAGEMENT POLICIES

The Group's activities expose it to market risk (including fuel price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise adverse effect from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as fuel swaps, interest rate swaps and caps, and foreign currency forwards to manage these 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. Risk management policies and procedures are reviewed regularly to reflect changes in the market condition and the Group's activities.

The Group also seeks to ensure that the financial resources that are available for the development of the Group'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 arising from the fluctuations in the prices of jet fuel, and seek to hedge their fuel requirements using fuel swaps in order to address the risk of rising fuel prices (Note 23). At 31 December 2011, if USD denominated barrel had been USD 5 higher/lower with all other variables held constant, the impact on the post-tax profit for the year and equity are tabulated below:

	2011		2010	
	+USD5	**-USD5**	**+USD5**	**-USD5**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Impact on post tax profits	13,048	(13,048)	-	-
Impact on other comprehensive income	5,931	(5,931)	-	-

39 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(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.

In view of the substantial borrowings taken to finance the acquisition of aircraft, the Group's income and operating cash flows are also influenced by changes in market interest rates. Interest rate exposure arises from the Group'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 at the most favourable interest rates.

The Group manages its cash flow interest rate risk by entering into a number of immediate and forward starting interest rate swap contracts and cross currency swap contracts that effectively converts all of its existing and future long-term floating rate debt facilities into fixed rate debts (Note 23). This hedging strategy ensures that the Group is paying a fixed interest expense on its borrowings and that the performance of the Group is not significantly impacted by the fluctuation in interest rates.

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

As at 31 December 2011, if interest rate on USD denominated borrowings 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, after considering the hedging of the floating rate loans (Note 23).

At 31 December 2011, if interest rate on USD denominated borrowings 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, 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:

	2011		2010	
	+60bps RM'000	-60bps RM'000	+60bps RM'000	-60bps RM'000
Impact on post tax profits	32,015	(33,344)	12,559	(48,396)
Impact on other comprehensive income	108,443	(105,832)	58,222	(65,511)

The remaining terms of the outstanding interest rate derivative contracts of the Company at 31 December 2011, which are denominated in USD, are as follows:

	2011 RM'000 equivalent	2010 RM'000 equivalent
Later than 5 years:		
Interest rate caps	427,544	635,877
Interest rate swaps	3,789,186	2,684,830
Cross currency interest rate swaps	180,660	198,491
	4,397,390	3,519,198

39 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign Currency risk

Apart from the Ringgit Malaysia ("RM"), the Group transacts business in various foreign currencies including Singapore Dollar ("SGD"), Indonesian Rupiah ("IDR"), United States Dollar ("USD"), Australian Dollar ("AUD"), Chinese Renminbi ("RMB") and Hong Kong Dollar ("HKD"). Therefore, the Group 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.

For the USD denominated borrowings, 64% of these are hedged by long dated foreign exchange forward contracts to manage the foreign currency risk (Note 23).

At 31 December 2011, if the RM had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax profit for the financial year would have been RM144.9 million (2010: RM201.4 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD denominated receivables and borrowings (term loan & finance lease). Similarly, the impact on other comprehensive income would have been RM23.0 million (2010: RM3.7 million) higher/lower due to the cash flow hedging in USD. The exposure to other foreign currency risk of the Group is not material and hence, sensitivity analysis is not presented.

The Group's currency exposure is as follows:

At 31 December 2011 Financial assets	RM RM'000	USD RM'000	AUD RM'000	SGD RM'000	RMB and HKD RM'000	Others RM'000	Total RM'000
Available-for-sale financial assets	152,942	-	-	-	-	-	152,942
Receivables	208,305	361,610	-	-	-	67,417	637,332
Amounts due from associates	-	798,586	-	-	-	4,520	803,106
Amount due from a jointly-controlled entity	4,526	-	-	-	-	-	4,526
Derivative financial instruments	-	52,470	-	-	-	-	52,470
Deposits, cash and bank balances	818,728	216,220	254,833	287,258	295,881	232,090	2,105,010
	1,184,501	1,428,886	254,833	287,258	295,881	304,027	3,755,386
Financial liabilities							
Trade and other payables	525,939	583,942	-	-	-	27,351	1,137,232
Amounts due to jointly-controlled entities	-	15,577	-	4,184	-	-	19,761
Amount due to an associate	-	-	-	4,444	-	-	4,444
Amount due a related party	10,560	-	-	-	-	-	10,560
Borrowings	519,112	7,137,886	-	-	-	124,152	7,781,150
Derivative financial instruments	-	526,332	-	-	-	-	526,332
	1,055,611	8,263,737	-	8,628	-	151,503	9,479,479
Net financial assets/(liabilities)	128,890	(6,834,851)	254,833	278,630	295,881	152,524	(5,724,093)

39 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign Currency risk (continued)

At 31 December 2010 **Financial assets**	**RM** **RM'000**	**USD** **RM'000**	**AUD** **RM'000**	**SGD** **RM'000**	**RMB and HKD** **RM'000**	**Other** **RM'000**	**Total** **RM'000**
Available-for-sale financial assets	152,942	-	-	-	-	-	152,942
Receivables	122,123	353,417	-	-	-	39,533	515,073
Amounts due from associates	-	268,058	-	-	-	12,292	280,350
Derivative financial instruments	-	25,544	-	-	-	-	25,544
Amounts due from a jointly-controlled entity	-	99,802	-	-	-	-	99,802
Deposits, cash and bank balances	784,672	211,677	118,327	172,680	127,326	89,935	1,504,617
	1,059,737	958,498	118,327	172,680	127,326	141,760	2,578,328
Financial liabilities							
Trade and other payables	343,518	553,608	-	-	-	15,817	912,943
Amount due to an associate	-	-	-	5,223	-	-	5,223
Amount due to a related party	41,262	-	-	-	-	-	41,262
Hire purchase payables	15	-	-	-	-	-	15
Borrowings	528,307	7,204,819	-	-	-	123,725	7,856,851
Derivative financial instruments	-	452,865	-	-	-	-	452,865
	913,102	8,211,292	-	5,223	-	139,542	9,269,159
Net financial assets/(liabilities)	146,635	(7,252,794)	118,327	167,457	127,326	2,218	(6,690,831)

The Group's financial assets and liabilities are significantly denominated in USD. To manage the Group's foreign exchange risk against its functional currency, the Group entered into forward foreign exchange contracts as disclosed in Note 23 to the financial statements.

39 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit risk

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

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

(c) Liquidity and cash flow risk

The Group'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 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'000	1 – 2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Group				
At 31 December 2011				
Term loans	862,058	2,162,282	2,382,489	3,711,096
Finance lease liabilities	123,739	127,968	385,879	935,318
Commodity Murabaha finance	14,286	14,396	43,466	50,112
Sukuk	20,370	430,185	-	-
Trade and other payables	1,137,232	-	-	-
Amounts due to jointly- controlled entities	19,761	-	-	-
Amount due to an associate	4,444	-	-	-
Amount due to a related party	10,560	-	-	-
	2,192,450	2,734,831	2,811,834	4,696,526

39 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

	Less than 1 year RM'000	1 – 2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Group				
At 31 December 2010				
Term loans	702,425	712,286	2,954,474	3,659,957
Finance lease liabilities	68,265	72,118	1,028,971	196,720
Commodity Murabaha finance	14,761	14,774	44,266	65,323
Sukuk	20,370	20,370	430,185	-
Trade and other payables	912,943	-	-	-
Amount due to an associate	5,223	-	-	-
Amount due to related party	41,262	-	-	-
	1,765,249	819,548	4,457,896	3,922,000
Company				
At 31 December 2011				
Term loans	862,058	2,162,282	2,382,489	3,711,096
Finance lease liabilities	123,739	127,968	385,879	935,318
Commodity Murabaha finance	14,286	14,396	43,466	50,112
Sukuk	20,370	430,185	-	-
Trade and other payables	1,103,063	-	-	-
Amounts due to subsidiaries	5,605			
Amounts due to jointly- controlled entities	50,087	-	-	-
Amount due to an associate	4,444	-	-	-
Amount due to a related party	10,560	-	-	-
	2,194,212	2,734,831	2,811,834	4,696,526
At 31 December 2010				
Term loans	702,425	712,286	2,954,474	3,659,957
Finance lease liabilities	68,265	72,118	1,028,971	196,720
Commodity Murabaha finance	14,761	14,774	44,266	65,323
Sukuk	20,370	20,370	430,185	-
Trade and other payables	884,344	-	-	-
Amount due to a jointly- controlled entity	322,614	-	-	-
Amount due to an associate	5,223	-	-	-
Amount due to a related party	41,262	-	-	-
Amounts due to subsidiaries	44,251	-	-	-
	2,103,515	819,548	4,457,896	3,922,000

Reports and Financial Statements

Notes to the Financial Statements
31 December 2011

39 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

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 date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RM'000	1 – 2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Group and Company				
At 31 December 2011				
Net-settled derivatives				
Trading	72,923	81,252	153,028	36,322
Hedging	35,405	31,174	62,873	24,554
Gross-settled derivatives				
Trading – outflow	99,933	97,055	258,285	323,713
Trading – inflow	(96,671)	(93,883)	(249,799)	(313,387)
Hedging – outflow	331,162	332,272	1,004,940	1,464,987
Hedging – inflow	(320,469)	(322,313)	(979,756)	(1,434,477)
At 31 December 2010				
Net-settled derivatives				
Trading	37,578	31,908	38,525	(891)
Hedging	72,865	64,260	75,806	2,892
Gross-settled derivatives				
Trading – outflow	10,149	9,649	17,780	-
Trading – inflow	(9,567)	(9,095)	(16,670)	-
Hedging – outflow	366,035	362,625	1,080,724	1,793,982
Hedging – inflow	(341,797)	(339,837)	(1,023,389)	(1,700,988)

39 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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 various businesses, the Group 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 overall strategy remains unchanged from 2010.

Consistent with others in the industry, the Group 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 balance sheet). Total capital is calculated as the sum of 'equity attributable to equity holders of the Company' as shown in the balance sheet and total debts.

The gearing ratio as at 31 December 2011 and 2010 were as follows:

	Group	
	2011 RM'000	2010 RM'000
Total borrowings (Note 31)	7,781,150	7,856,851
Total equity attributable to equity holders of the Company	4,036,397	3,640,960
	11,817,547	11,497,811
Gearing ratio	65.8%	68.3%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial year ended 31 December 2011 and 2010.

(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
Effective 1 January 2011, the Group adopted the Amendment to FRS 7 for financial instruments that are measured in the statement of financial position at fair value. This requires disclosure of fair value measurements 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).

39 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

The following table presents the Group and Company's assets and liabilities that are measured at fair value at 31 December 2011 and 31 December 2010.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group and Company				
2011				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	12,713	-	12,713
Derivatives used for hedging	-	39,757	-	39,757
Available-for-sale financial assets				
- Equity securities	-	-	152,942	152,942
	-	52,470	152,942	205,412
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	157,125	-	157,125
Derivatives used for hedging	-	369,207	-	369,207
	-	526,332	-	526,332
2010				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	23,306	-	23,306
Derivatives used for hedging	-	2,238	-	2,238
Available-for-sale financial assets				
- Equity securities	-	-	152,942	152,942
	-	25,544	152,942	178,486
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	108,752	-	108,752
Derivatives used for hedging	-	344,113	-	344,113
	-	452,865	-	452,865

39 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 is 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 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 over the counter ("OTC") derivatives.

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.

This category includes private equity investments, certain OTC derivatives (requiring complex and unobservable inputs such as correlations and long dated volatilities) and certain bonds.

There were no changes in Level 3 instruments for the financial year ended 31 December 2011 for the Group and Company.

40 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

Group

31 December 2011	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Available for sale RM'000	Total RM'000
Assets as per balance sheet					
Available-for-sale financial assets	-	-	-	152,942	152,942
Trade and other receivables excluding prepayments	637,332	-	-	-	637,332
Amounts due from associates	803,106	-	-	-	803,106
Amount due from a jointly- controlled entity	4,526	-	-	-	4,526
Derivative financial Instruments	-	12,713	39,757	-	52,470
Deposits, cash and bank balances	2,105,010	-	-	-	2,105,010
Total	3,549,974	12,713	39,757	152,942	3,755,386

40 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

Group

	Liabilities at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)	-	-	6,394,068	6,394,068
Finance lease liabilities	-	-	1,387,082	1,387,082
Derivative financial instruments	157,125	369,207	-	526,332
Trade and other payables	-	-	1,137,232	1,137,232
Amounts due to jointly controlled entities	-	-	19,761	19,761
Amount due to an associate	-	-	4,444	4,444
Amount due to a related party	-	-	10,560	10,560
Total	157,125	369,207	8,953,147	9,479,479

31 December 2010	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Available for sale RM'000	Total RM'000
Assets as per balance sheet					
Available for sale financial assets	-	-	-	152,942	152,942
Trade and other receivables excluding prepayments	515,073	-	-	-	515,073
Amounts due from associates	280,350	-	-	-	280,350
Amounts due from a jointly controlled entity	99,802	-	-	-	99,802
Derivative financial instruments	-	23,306	2,238	-	25,544
Deposits, cash and bank balances	1,504,617	-	-	-	1,504,617
Total	2,399,842	23,306	2,238	152,942	2,578,328

40 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

Group

	Liabilities at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)	-	-	6,928,233	6,928,233
Finance lease liabilities	-	-	928,618	928,618
Derivative financial instruments	108,752	344,113	-	452,865
Trade and other payables	-	-	912,943	912,943
Amount due to an associate	-	-	5,223	5,223
Amount due to a related party	-	-	41,262	41,262
Hire purchase payables	-	-	15	15
Total	108,752	344,113	8,816,294	9,269,159

(b) 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 2011 RM'000	Group 2010 RM'000
Counterparties without external credit rating		
Group 1	11,476	15,774
Group 2	110,335	87,557
Total unimpaired trade receivables	121,811	103,331
Cash at bank and short-term bank deposits		
AA2 to A-	1,992,841	1,398,674
BBB to B3	112,169	105,943
	2,105,010	1,504,617

Reports and Financial Statements

Notes to the Financial Statements 31 December 2011

40 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit quality of financial assets (continued)

	Group	
	2011 RM'000	2010 RM'000
Derivative financial assets		
AA+ to A+	16,896	23,306
A to BBB-	35,574	2,238
	52,470	25,544
Loans to related parties		
Group 2	807,632	380,152

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.

41 RECLASSIFICATION OF PRIOR YEAR COMPARATIVE

Certain comparative figures have been reclassified for consistency with current year's presentation.

	Group		
	Financial year ended 31 December 2010		
Income statement	As previously reported RM'000	Re-classification RM'000	As restated RM'000
Operating expenses			
- maintenance, overhaul, user charges and other related expenses	(476,077)	476,077	-
- maintenance and overhaul	-	(92,646)	(92,646)
- user charges and other related expenses	-	(383,431)	(383,431)
Finance income	808,033	(741,334)	66,699
Finance costs	(776,138)	391,798	(384,340)
Foreign exchange (loss)/gain on borrowings	-	439,514	439,514
Foreign exchange gain/(loss) on amounts due from associates and jointly-controlled entities	-	(89,978)	(89,978)

41 RECLASSIFICATION OF PRIOR YEAR COMPARATIVE (CONTINUED)

Income statement	Company Financial year ended 31 December 2010 As previously reported RM'000	Re-classification RM'000	As restated RM'000
Operating expenses			
- maintenance, overhaul, user charges and other related expenses	(476,077)	476,077	-
- maintenance and overhaul	-	(92,646)	(92,646)
- user charges and other related expenses	-	(383,431)	(383,431)
Finance income	808,023	(741,334)	66,689
Finance costs	(776,134)	391,798	(384,336)
Foreign exchange (loss)/gain on borrowings	-	439,514	439,514
Foreign exchange gain/(loss) on amounts due from associates and jointly-controlled entities	-	(89,978)	(89,978)

For the financial year ended 31 December 2011, the Group and Company have elected to change the presentation of the income statement. As a result of the change, maintenance, overhaul, user charges and other related expenses are now presented separately as two distinct categories. In addition, foreign exchange gains and losses on borrowings, both realised and unrealised, and the foreign exchange gains and losses on amounts due from associates and jointly controlled entities are also presented separately from finance income and finance costs. In the opinion of the Directors, the revised presentation provides a more meaningful year-on-year comparison of the income statements at the net operating profit level.

42 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 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Total retained earnings of AirAsia Berhad and its subsidiaries:				
- Realised	1,781,491	997,581	1,769,575	981,345
- Unrealised	809,277	1,121,156	809,328	1,121,156
	2,590,768	2,118,737	2,578,903	2,102,501
Total share of accumulated losses from associated companies:				
- Realised	(9,764)	(4,112)	-	-
Total share of accumulated losses from jointly controlled entities				
- Realised	(74)	(12,054)	-	-
Total retained earnings as per consolidated financial statements	2,580,930	2,102,571	2,578,903	2,102,501

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, Tan Sri Dr Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun, being two of the Directors of AirAsia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 16 to 101 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 2011 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 provisions of the Companies Act, 1965 and the Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The information set out in Note 42 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 27 April 2012.

TAN SRI DR. ANTHONY FRANCIS FERNANDES
DIRECTOR

DATO' KAMARUDIN BIN MERANUN
DIRECTOR

Statutory Declaration Pursuant to

Section 169(16) of the Companies Act, 1965

I, Andrew Littledale, the Officer primarily responsible for the financial management of AirAsia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 16 to 101 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.

ANDREW LITTLEDALE

Subscribed and solemnly declared by the abovenamed Andrew Littledale at Petaling Jaya in Malaysia on 27 April 2012, 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 16 to 101, which comprise the balance sheets as at 31 December 2011 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 41.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965, and for such internal control as the Directors determine are 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 judgement, 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 have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

Independent Auditors' Report to the Members of AirAsia Berhad

(Incorporated In Malaysia) (Company no. 284669-W)

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 13 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 42 on page 101 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. 2932/06/12 (J))
Chartered Accountant

Kuala Lumpur
27 April 2012

Other Information

Analysis of Shareholdings

As at 9 May 2012

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	99	0.64	1,714	0.00
100 – 1,000	5,563	35.85	4,877,545	0.18
1,001 – 10,000	7,900	50.92	31,306,872	1.12
10,001 – 100,000	1,313	8.46	41,088,255	1.48
100,001 to less than 5% of issued shares	637	4.11	2,006,500,198	72.22
5% and above of issued shares	3	0.02	694,622,996	25.00
	15,515	**100.00**	**2,778,397,580**	**100.00**

SUBSTANTIAL SHAREHOLDERS

The direct and indirect shareholdings of the shareholders holding more than 5% in AirAsia Berhad 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")	640,608,382[1]	23.06	-	-
Tan Sri Dr. Anthony Francis Fernandes	3,227,010[2]	0.12	640,608,382[3]	23.06
Dato' Kamarudin bin Meranun	1,692,900	0.06	640,608,382[3]	23.06
Employees Provident Fund Board	203,186,600[4]	7.31	41,375,800	1.49
Wellington Management Company, LLP	263,704,873[5]	9.49	-	-

Notes:

(1) Shares held under ECML Nominees (Tempatan) Sdn. Bhd., Mayban Nominees (Tempatan) Sdn. Bhd., HSBC Nominees (Tempatan) Sdn. Bhd. and Citigroup Nominees (Tempatan) Sdn. Bhd.

(2) Shares held under own name (600,000 shares) and Cimsec Nominees (Tempatan) Sdn. Bhd. (2,627,010 shares)

(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 (203,186,600 shares) and Citigroup Nominees (Tempatan) Sdn. Bhd. (41,375,800 shares)

(5) Shares held under Cartaban Nominees (Asing) Sdn. Bhd., Citigroup Nominees (Asing) Sdn. Bhd., HSBC Nominees (Asing) Sdn. Bhd., JP Morgan Chase Bank N.A., Master Trust Bank of Japan Ltd., Mellon Bank N.A., RBC Dexia Investor Services and Danske Bank A/S.

Other Information

Analysis of Shareholdings As at 9 May 2012

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:-

Name	DIRECT		INDIRECT	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tan Sri Dr. Anthony Francis Fernandes	3,227,010(1)	0.12	640,608,382(2)	23.06
Dato' Kamarudin bin Meranun	1,692,900	0.06	640,608,382(2)	23.06
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	100,000(3)	-	-	-
Conor Mc Carthy	10,965,000(4)	0.39	-	-
Dato' Leong Sonny @ Leong Khee Seong	100,000	-*	-	-
Dato' Fam Lee Ee	50,000	-*	-	-
Dato' Mohamed Khadar bin Merican	-	-	-	-
Datuk Mohd Omar bin Mustapha	-	-	-	-

Notes:

* Negligible.
(1) Shares held under own name (600,000 shares) and Cimsec Nominees (Tempatan) Sdn. Bhd. (2,627,010 shares)
(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
(4) Shares held under own name (100,000 shares) and HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing) (10,865,000 shares)

The interests of Directors in options over unissued ordinary shares of RM0.10 each of the Company:

	Price per option share	No. of Option Shares
Dato' Kamarudin bin Meranun	RM1.08	600,000

The options held over ordinary shares in the Company were granted on 1 September 2004 pursuant to the Company's Employee Share Option Scheme ("ESOS") 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. This was in accordance with the terms of the ESOS By-Laws. The ESOS extension was not subject to any regulatory or shareholders approval.

None of the Directors have any interests in the shares or options of the subsidiaries of the Company other than as disclosed above.

Other Information

List of Top 30 Shareholders

As at 9 May 2012

	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1.	Tune Air Sdn. Bhd.	334,936,396	12.06
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board*	201,686,600	7.26
3.	HSBC Nominees (Tempatan) Sdn. Bhd. *Credit Suisse HK for Tune Air Sdn. Bhd.*	158,000,000	5.69
4.	HSBC Nominees (Asing) Sdn. Bhd. *BBH (LUX) SCA for Genesis Smaller Companies*	122,383,881	4.40
5.	HSBC Nominees (Asing) Sdn. Bhd. *TNTC for The Nomad Investment Partnership LP Cayman*	109,520,000	3.94
6.	Amanahraya Trustees Berhad *Skim Amanah Saham Bumiputera*	99,727,700	3.59
7.	Cartaban Nominees (Asing) Sdn. Bhd. *SSBT Fund HG05 for the New Economy Fund*	77,785,000	2.80
8.	Cartaban Nominees (Asing) Sdn. Bhd. *SSBT Fund QR1P for the Hartford Capital Appreciation Fund*	64,143,600	2.31
9.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)*	57,622,155	2.07
10.	HSBC Nominees (Asing) Sdn. Bhd. *NTGS LDN for Skagen Kon-Tiki Verdipapirfond*	47,375,200	1.71
11.	Cartaban Nominees (Asing) Sdn. Bhd. *SSBT Fund HG22 for Smallcap World Fund, Inc.*	44,000,000	1.58
12.	Cartaban Nominees (Asing) Sdn. Bhd. *Exempt An for State Street Bank & Trust Company (West CLT OD67)*	38,292,700	1.38
13.	Maybank Nominees (Tempatan) Sdn. Bhd. *Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)*	36,411,900	1.31
14.	Maybank Nominees (Tempatan) Sdn. Bhd. *Kuwait Finance House (Malaysia) Berhad for Tune Air Sdn. Bhd. (Tony Fernandes)*	32,000,000	1.15
15.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for The Bank of New York Mellon (Mellon Acct)*	30,059,309	1.08

Other Information

List of Top 30 Shareholders As at 9 May 2012

	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
16.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for JPMorgan Chase Bank, National Association (U.K.)*	28,652,594	1.03
17.	ECML Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tune Air Sdn. Bhd. (001)*	26,835,367	0.97
18.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account – Bank Julius Baer & Co Ltd for Tune Air Sdn Bhd (CB SG)*	26,000,000	0.94
19.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for JPMorgan Chase Bank, National Association (Saudi Arabia)*	25,519,279	0.92
20.	Amanahraya Trustees Berhad *Public Islamic Sector Select Fund*	25,190,100	0.91
21.	Valuecap Sdn. Bhd.	25,034,900	0.90
22.	HSBC Nominees (Asing) Sdn. Bhd. *BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund*	23,841,848	0.86
23.	Cartaban Nominees (Asing) Sdn. Bhd. *SSBT Fund QR1F for Capital Appreciation HLS Fund (Hartford Sfi)*	23,412,400	0.84
24.	ECML Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tune Air Sdn. Bhd. (001)*	22,586,619	0.81
25.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for JPMorgan Chase Bank, National Association (Norges Bk Lend)*	21,698,200	0.78
26.	ECML Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tune Air Sdn. Bhd. (001)*	21,000,000	0.76
27.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An For Morgan Stanley & Co. LLC (Client)*	20,912,300	0.75
28.	HSBC Nominees (Asing) Sdn. Bhd. *TNTC for Fidelity Series Emerging Markets Fund (FID INV TST)*	20,042,700	0.72
29.	HSBC Nominees (Asing) Sdn. Bhd. *TNTC for United Nations Joint Staff Pension Fund*	19,100,000	0.69
30.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt An for Eastspring Investments Berhad*	18,232,300	0.66

Other Information

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 2011 (RM'000)
AirAsia Berhad	Taxiway Charlie, KLIA(part of PT39 KLIA, Sepang) *See note 1*	Non permanent structure/aircraft maintenance hangar	*See note 2*	2,400 sqm	8 years and 5 months	1,794
AirAsia Berhad	AirAsia Academy, Lot PT25B, Southern Support Zone, KLIA64000 Sepang, Selangor	AirAsia Simulator Complex	30 years from 20 September 2004 to 19 September 2034	4,997 sqm	7 years	10,344
AirAsia Berhad	AirAsia Academy, Lot PT25B, Southern Support Zone, KLIA64000 Sepang, Selangor	AirAsia Academy, Engineering and In-Flight Warehouse	30 years from 1 May 2007 to 30 April 2037	6,225 sqm - Academy 5,255 sqm - Engineering/ In-Flight Warehouse	4 years	23,856

Notes:

(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. The permit has been renewed and will expire on 31 December 2012.

(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

Other Information

Group Directory

CAMBODIA

PHNOM PENH
Phnom Penh Airport Office, 17 Mezzanine Floor of Arrival Domestic Terminal, Phnom Penh Airport, Phnom Penh

179, Street Sisowath, Sangkat Phsar Kandal 1, Khan Daun Penh, 12204 Phnom Penh, Kingdom of Cambodia.

CHINA

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

GUANG DONG
Century Holiday International Travel Service (Shenzhen) Co.Ltd., XY-10 Junting Hotel, 3085 Eastern Road, Luo Hu, Shenzhen

Century Holiday International Travel Service (Guang Zhou) Co Ltd., First Floor, No 8 Zhong Shan 3 Road, Guang Zhou

Zhuhai Sun Star International Travel Agency Co Ltd., 1151, South of Yingbin Road, Zhuhai

BEIJING
Century Holiday International Travel Service (Beijing) Co Ltd., No 163A Floor Of Yi No 6, Chaowai Street of Chao Yang District Beijing China, 100022 Beijing

INDONESIA

BANDA ACEH
Bandara Sultan Iskandar Muda, Blang Bintang, Aceh

DENPASAR, BALI
Bandara I Gusti Ngurah Rai, Terminal Keberangkatan International Bali 80361

Jl. Legian Kaja no. 455 Kuta, Bali

BANDUNG
Ruangan Nombor 34 Bandara Husein Sastranegara Jalan Pajajaran No 156 Bandung Jawa Barat

Lobby Grand Serela Hotel Jl. L.L. R.E Martadinata (Riau) No 56 Telp. (022) 426 1636

JAKARTA
Terminal 3, Departure Hall Airlines Offices, Soekarno-Hatta International Airport, Cengkareng

Jl. Boulevard Raya, Blok LA 4, No. 10 Kelapa Gading, Jakarta Utara

Komp Rukan Dharmawangsa, Jl. Dharmawangsa VI No.43, Jakarta Selatan

MAKASAR
Departure Terminal, Sultan Hasanuddin, International Airport, Makassar, South Sulawesi

Mall Panakukang, Carrefour Panakukang, 3rd Floor, Jl. Adyaksa Baru No.1, Makassar, South Sulawesi

MANADO
Sam Ratulangi International Airport Jalan A.A. Maramis, Manado 95374

MEDAN
Bandara PoloniaTerminal Keberangkatan Internasional, Medan 20157 Sumatra

Garuda Plaza Hotel, Jl. Sisingamangaraja, No.18 Medan-20213

PADANG
Minangkabau International Airport, Padang, West Sumatra

PALEMBANG
Sultan Mahmud Badaruddin II Airport Palembang, South Sumatra

PEKANBARU
Sultan Syarif Kasim II International Airport, Jalan Perhubungan Udara Simpang Tiga, Pekanbaru, Sumatra

SEMARANG
Carrefour DP (Duta Pertiwi) MALL, Jl. Pemuda No. 150, 1st Floor, Semarang 50132

Komplek Pertokoan Simpang Lima, Blok C No. 1

SOLO
Adi Soemarmo International Airport, Solo, Central Java

SURABAYA
Lobby International Terminal Juanda International Airport Jalan Raya Juanda Surabaya Jawa Timur

Grand Circle Tunjungan Plaza 3 Lantai 1, (Lobby Condominium Regency), Jln. Basuki Rahmat 8-12, Surabaya

YOGYAKARTA
Adisutjipto International Airport Jln. Solo km.9, Yogyakarta, 55282

Melia Purosani Hotel, Jl Suryotomo No.31, Yogyakarta

MALAYSIA

JOHOR
Tune Hotels.com Danga Bay, Lot PTB 22819, Jalan Skudai, Mukim Bandar, 80200 Johor Bahru

GL 13 Senai International Airport 81250 Johor Bahru

No. 26 Jalan Meriam, 84000 Muar, Johor

No 7, Jalan Bestari 1/5, Taman Nusa Bestari, 79100, Bandar Nusajaya, Johor.

No 75, Jalan Sutera, Taman Sentosa, 80150, Johor Bharu, Johor

No 20, Jalan Raya, 81000, Kulaijaya, Johor.

No 97, Jalan Rahmat, 83000, Batu Pahat, Johor

GK 01, Ground Floor, Kluang Mall, Jalan Rambutan, Bandar Kluang, 86000 Kluang, Johor.

No 21,Jalan Dedap 21, Taman Johor Jaya, 81100, Johor Bharu

Group Directory

KEDAH
Lot 20, Lapangan Terbang
Sultan Abdul Halim, 06200
Kepala Batas, Alor Star

Langkawi International Airport
07100 Padang Mat Sirat, Langkawi

No. 68-B Ground Floor,
Jalan Ibrahim, 08000 Sungai Petani,
Kedah Darul Aman

KUALA LUMPUR
Lot 4, Level 2,
Stesen Sentral Kuala Lumpur, 50470

Lot G027B, Ground Floor,
Podium Block, Plaza Berjaya,
12 Jalan Imbi, 55100 Kuala Lumpur

No 71 Jalan Metro Perdana Barat
1 Taman Usahawan Kepong
52100 Kuala Lumpur

No. 4 Jalan 3/116B, Kuchai Lama
Entrepreneur Park,
Off Jalan Kuchai Lama,
58200 Kuala Lumpur

No. 1, Jalan PJS 3/48,
Taman Sri Manja, 46000 Petaling Jaya

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

3183G, Jalan Sultan Ibrahim
(Opp. KB Mall), 15050 Kota Bharu

PERAK
Tune Hotel, No.2, Ground Floor,
The Host, Jalan Veerasamy,
30000 Ipoh, Perak Darul Ridzuan

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

LABUAN
Level 1, Labuan Airport Terminal
87008 Wilayah Persekutuan

MELAKA
No 32, Jalan Melaka Raya 23,
Taman Melaka Raya, 75000 Melaka

PENANG
Penang International Airport
11900 Bayan Lepas, Pulau Pinang

Ground Floor, Kim Mansion 332,
Chulia Street, 10200 Penang

No 723 L-G, Jln Sungai Dua 11700
Pulau Pinang

A-G-07, Jalan Todak 4,
Sunway Business Park,
13700 Seberang Perai Penang

SABAH
Lot 1 & 2, 1st Floor,
Terminal Building,
Sandakan Airport, 90719 Sandakan

FL4, 1st Floor, Tawau Airport
Building, Jalan Apas-Balung,
91100 Tawau

TB228, Lot 5, Ground Floor,
Istana Monaco, Jalan Bunga,
Fajar Complex 91000 Tawau

Lot G24, Ground Floor,
Wisma Sabah, Jln. Tun Razak,
88000, Kota Kinabalu

TGround Floor, Terminal 2
Kota Kinabalu Int. Airport,
Old Airport Road,Tanjung Aru 88100,
Kota Kinabalu

SARAWAK
GL02, Ground Floor,
Bintulu Airport, 97000 Bintulu

Ground Floor, Miri Airport,
98000 Miri

Lot 946, Jalan Parry, 98000 Miri

Departure Level,
Kuching International Airport,
93756 Kuching

GFLO1, Departure Area,
Ground Floor, Sibu Airport, 96000 Sibu

Ground Floor, No. 36 Jalan Keranji,
96000 Sibu

Grd Flr, Lot 4034,
Jln Tun Ahmad Zaidi,
Parkcity Commercial Sq,
Phase 5, 97000 Bintulu

Ground Floor, 192H Al-Idrus
Commercial Centre, Jalan Satok,
93400 Kuching

SL11 Ground Floor, Lot 2541
Lee Ling Heights Phase 2, Mile 6.5
Jalan Penrissen, P.O. Box 2044,
93250 Kuching

Lot 6813, Ground Floor Synergy
Square, (Matang Jaya Commercial
Centre), Jalan Matang Jaya,
93050 Kuching

SELANGOR
Ground Floor, Terminal 3,
Sultan Abdul Aziz Shah Airport
47200 Subang, Selangor

Jalan KLIA S3,
Southern Support Zone,
Kuala Lumpur International Airport,
64000 Sepang, Selangor

Lot-35 Mydin Mall USJ 1

B-G-3A, IOI Boulevard,
Jalan Kenari 5, Bandar Puchong Jaya
47170 Puchong Selangor

Lot S141, 2nd Floor,
Plaza Metro Kajang, Section 7,
Jalan Tun Abdul Aziz, 43000 Kajang

No 1, Jln PJS 3/48,
Taman Sri Manja, 46000 Petaling Jaya

No 10, Jalan Bandar Rawang 11,
Bandar Baru Rawang,
48000 Rawang, Selangor

Ground Floor, Curve NX,
18 Jalan PJU 7/5, Mutiara Damansara,
47810 Petaling Jaya, Selangor

MYANMAR

YANGON
Yangon International Airport

Office Unit# 01-L,
Parkroyal Yangon, Myanmar

PHILIPPINES

CLARK
Diosdado Macapagal
International Airport Clark Civil
Aviation Complex Clark Freeport
Zone, Philippines 2023

Other Information
Group Directory

MANILA
Wintrex Travel Corporation,
Unit 108 SM City North Edsa – The Block SM City Complex, North Edsa, Pag-Asa 1, Quezon City, Manila

Wintrex Travel Corporation,
Unit 126 South Parking Building,
SM Mall of Asia Complex,
J.W Diokno Boulevard, Pasay City

SINGAPORE
Row: 13 & 14, Departure level 2
Singapore Changi Airport Terminal 1,
Singapore

111 North Bridge Road
#01-36/37, Peninsula Plaza 179098,

SRI LANKA
COLOMBO
Setmil Aviation (Pvt) Ltd.,
Ground Floor, Setmil Maritime Centre,
256, Srimath Ramanathan Mawatha,
Colombo 15, Sri Lanka

THAILAND
BANGKOK
Suvarnabhumi International Airport
Room A1-062 Ground Floor,
Concourse A, Bangna-Trad Road,
Racha Teva, Bang Pli,
Samutprakarn 10540

127 Tanao Road, Phra Nakorn,
Bangkok 10200

Tesco Lotus – Bangkapi,
2nd Floor, 3109 Ladpro Road,
Bangkapi, Bangkok, 10240

Tesco Lotus – Rama1,
3rd Floor, 831 Rama 1 Road,
Wangmai, Pathumwan, Bangkok, 10330

Tesco Lotus – Rangsit, 2nd Floor,
392/4, Moo2, Phaholyothin Road,
Thanyaburi, Pathumthani, 12130

Tesco Lotus - Sukhumvit 50,
1st floor, 1710, Sukhumvit Road,
Klong Toey, Bangkok, 10110

Tesco Lotus - Lad Prao,
2nd Floor, 1190, Phahonyothin Road,
Jompol, Jatujak, Bangkok, 1090

CHIANG MAI
Chiangmai International Airport
60, 1st Floor, Tambol Sutep,
Amphur Muang, Chiang Mai 50200

416 Thaphae Road, Chiang Mai

Tesco Lotus - Chiang Mai
Kamtieng, 2nd 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 Hadyai International Airport,
Moo 3 Klongla, Klonghoikong,
Songkhla 90115

Tesco Lotus - Hat Yai, 1st Floor,
1142, Kanchanawit Road, Hat Yai,
Songkla, 90115

KRABI
133 Moo 5 Petchkasem Road,
Tambol Nuakrong, Amphur
Nuakrong, Krabi 81130

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

PHUKET
Phuket International Airport
312, 3rd Floor, Tumbol Maikao,
Amphur Thalang, Phuket 83110

Unit 9, Laflora Patong Area,
No. 39, 39/1, Thaveewong Rd.,
Patong, Kratoo, Phuket

Tesco Lotus – Phuket,
2nd Floor, 104, Chalermprakiat
Road, Rasada Sub District,
Muang District, Phuket, 83000

SURAT THANI
Surat Thani International Airport
73 Moo 3 Tambol Huatuey,
Amphur Punpin, Suratthani

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

VIETNAM
HANOI
Noibai International Airport
Lobby A, 3rd Floor, Hanoi

223, De Tham
Pham Ngu Lao Ward
District 1, Ho Chi Minh City

No. 9, Hang Manh Str.,
Hoan Kiem Dist., Hanoi

16, Nguyen Van Linh,
Hai Chau District, Da Nang

CALL CENTRE NUMBERS

Australia	1300 760 330
China	+86 20 2281 7666
France	+33(0)1 7048 0722
India	1860 500 8000 +91 44 4294 8300 (calling from Mumbai and New Delhi only)
Indonesia	+62 21 2927 0999
Japan	0120 963 516
Hong Kong	+852 3112 3222
Macau	0800912
New Zealand	0800 45 25 66
Paris	+33170480722
Philippines	+63 2 588 9999
South Korea	00798 1420 69940
Taiwan	008 0185 3031
Thailand	+66 2 515 9999
Vietnam	+84 8 3838 9811/ 9812
The UK	0845 605 3333

Other Information

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.

This page has been intentionally left blank.

Form of Proxy

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

I/We ______________________________ NRIC No./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)

____ as my / our proxy(ies) to
(ADDRESS)

vote in my / our name and on my / our behalf at the Nineteenth Annual General Meeting of the Company to be held on Thursday, 21 June 2012 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		
No. 4	Re-election of Tan Sri Dr. Anthony Francis Fernandes		
No. 5	Re-election of Dato' Kamarudin Bin Meranun		
No. 6	Re-appointment of Dato' Leong Sonny @ Leong Khee Seong		
No. 7	Re-appointment of Auditors		
No. 8	**Special Business** Authority to allot shares pursuant to Section 132D of the Companies Act, 1965		
Special No. 9	Proposed amendments to the Articles of Association of the Company		

(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

a. 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.

b. A member must be registered in the Record of Depositors at 5.00 p.m. on 14 June 2012 ("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.

c. 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).

d. 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.

e. 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.

f. Main Market Listing Requirements of Bursa Malaysia Securities Berhad permit that 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.

g. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at 25-5, Block H, Jalan PJU 1/37, 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.**

Fold here

stamp

Company Secretary
AirAsia Berhad (Company No. 284669-W)
25-5, Block H, Jalan PJU 1/37
Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Fold here

AirAsia

10 AWESOME

10 Years of Achievements

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