Company No.

284669	W

AIRASIA BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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Company No.	
284669	W

AIRASIA BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

CONTENTS

Company No.

284669	W

AIRASIA BERHAD
(Incorporated in Malaysia)

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 2009.

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 12 to the financial statements. There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	506,267	501,999

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2009.

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 RM237,420,958 to RM275,774,458 by way of issuance of 380,000,000 ordinary shares of RM0.10 each pursuant to the sale of shares at RM1.33 per share by way of book-building and issuance of 3,535,000 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 book-building and exercise of ESOS of RM467,400,000 and RM3,464,300 respectively 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.

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 is 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 29 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 350,000 and above. The employees who have been granted options of more than 350,000 shares are Dato' 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
Dato' Sri Dr Anthony Francis Fernandes
Dato' Kamarudin Bin Meranun
Conor Mc Carthy
Dato' Leong Sonny @ Leong Khee Seong
Dato' Fam Lee Ee
Datuk Alias Bin Ali
Dato' Mohamed Khadar Bin Merican

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 Employee Share Option Scheme (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 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 34 to the financial statements.

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM0.10 each			
	At 1.1.2009	Acquired	Disposed	At 31.12.2009
The Company				
Direct interests				
Dato' Sri Dr Anthony Francis Fernandes	2,627,010	-	-	2,627,010
Dato' Kamarudin Bin Meranun	1,692,900	-	-	1,692,900
Conor Mc Carthy	27,511,303	-	(6,628,400)	20,882,903**
Dato' Leong Sonny @ Leong Khee Seong	100,000	-	-	100,000
Dato' Fam Lee Ee	200,000	-	-	200,000
Indirect interests				
Dato' Sri Dr Anthony Francis Fernandes *	729,458,382	-	-	729,458,382
Dato' Kamarudin Bin Meranun *	729,458,382	-	-	729,458,382

* By virtue of their interests in shares in the substantial shareholder of the Company, Tune Air Sdn. Bhd. ("TASB"), Dato' 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 20,782,903 shares held under HSBC Nominees (Asing) Sdn Bhd.

	Number of options over ordinary shares of RM0.10 each			
	At 1.1.2009	Granted	Exercised	At 31.12.2009
The Company				
Dato' 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 income statements and balance sheets were made out, the Directors took reasonable steps:

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

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

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

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or Company to meet their obligations as and when they fall due.

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

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

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

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

Company No.

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AIRASIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

In the opinion of the Directors:

(a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 27 APR 2010

DATO' SRI DR ANTHONY FRANCIS FERNANDES
DIRECTOR

DATO' KAMARUDIN BIN MERANUN
DIRECTOR

Company No.	
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AIRASIA BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Revenue	4	3,132,901	2,854,970	3,072,049	2,815,262
Operating expenses					
- Staff costs	5	(306,002)	(236,793)	(304,551)	(235,773)
- Depreciation of property, plant and equipment	11	(447,644)	(346,954)	(447,637)	(346,946)
- Aircraft fuel expenses		(927,795)	(1,389,841)	(927,795)	(1,389,841)
- Maintenance, overhaul, user charges and other related expenses		(410,583)	(307,205)	(410,583)	(307,205)
- Aircraft operating lease expenses		(107,251)	(92,649)	(107,251)	(92,649)
- Travel and tour operating expenses		(53,524)	(37,945)	-	-
- Gain/(loss) on unwinding of derivatives		22,457	(678,503)	22,457	(678,503)
- Provision for loss on unwinding of derivatives	25	-	(151,713)	-	(151,713)
- Other operating expenses	6	(92,188)	(46,570)	(90,543)	(44,627)
Other income	7	102,383	81,545	102,383	81,545
Operating profit/(loss)		912,754	(351,658)	908,529	(350,450)
Finance income	8	84,505	35,245	84,462	35,245
Finance costs	8	(374,971)	(552,785)	(374,971)	(552,782)
Profit/(loss) before taxation		622,288	(869,198)	618,020	(867,987)
Taxation					
- Current taxation	9	(11,186)	(3,769)	(11,186)	(3,769)
- Deferred taxation	9	(104,835)	376,404	(104,835)	376,404
		(116,021)	372,635	(116,021)	372,635
Net profit/(loss) for the financial year		506,267	(496,563)	501,999	(495,352)
Earnings/(loss) per share (sen)					
- Basic	10	20.6	(21.1)		
- Diluted	10	20.6	(21.1)		

The notes on pages 13 to 70 form part of these financial statements.

Company No.

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AIRASIA BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	7,942,188	6,594,299	7,941,293	6,593,414
Investment in subsidiaries	12	-	-	22,194	22,194
Investment in associates	14	29	29	29	29
Other investments	15	26,704	26,715	26,704	26,715
Goodwill	16	8,738	8,738	-	-
Deferred tax assets	17	751,274	856,109	751,274	856,109
Receivables and prepayments	18	23,593	24,258	23,593	24,258
Amount due from a jointly controlled entity	19	171,885	-	171,885	-
Amount due from an associate	20	253,037	-	253,037	-
		9,177,448	7,510,148	9,190,009	7,522,719
CURRENT ASSETS					
Inventories	21	20,864	20,684	20,316	20,137
Receivables and prepayments	18	721,082	689,381	719,608	687,476
Deposits on aircraft purchase		330,978	334,628	330,978	334,628
Amounts due from subsidiaries	22	-	-	197,626	192,614
Amount due from a jointly controlled entity	19	194,503	309,683	-	120,181
Amounts due from associates	20	203,930	387,647	203,930	387,647
Amount due from a related company	22	3,303	-	3,303	-
Deposits, cash and bank balances	23	746,312	153,762	745,345	154,446
		2,220,972	1,895,785	2,221,106	1,897,129
LESS: CURRENT LIABILITIES					
Trade and other payables	24	872,990	774,250	861,847	770,787
Sales in advance		283,224	255,517	272,333	244,931
Provision for loss on unwinding of derivatives	25	-	151,713	-	151,713
Amounts due to subsidiaries	26	-	-	29,055	18,022
Amount due to an associate	20	3,382	4,359	3,382	4,359
Amount due to a related company	26	-	3,634	-	3,634
Hire-purchase payables	27	56	77	56	77
Borrowings	28	540,212	538,934	540,212	538,934
Current tax liabilities		9,824	4,216	9,824	4,216
		1,709,688	1,732,700	1,716,709	1,736,673
NET CURRENT ASSETS		511,284	163,085	504,397	160,456

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AIRASIA BERHAD
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BALANCE SHEETS AS AT 31 DECEMBER 2009 (CONTINUED)

	Note	Group		Company	
		2009	2008	2009	2008
		RM'000	RM'000	RM'000	RM'000
NON-CURRENT LIABILITIES					
Hire-purchase payables	27	16	72	16	72
Borrowings	28	7,067,696	6,067,625	7,067,696	6,067,625
		7,067,712	6,067,697	7,067,712	6,067,697
		2,621,020	1,605,536	2,626,694	1,615,478
CAPITAL AND RESERVES					
Share capital	29	275,774	237,421	275,774	237,421
Share premium		1,206,216	735,352	1,206,216	735,352
Foreign exchange reserve		592	592	-	-
Retained earnings	30	1,138,438	632,171	1,144,704	642,705
Shareholders' equity		2,621,020	1,605,536	2,626,694	1,615,478

The notes on pages 13 to 70 form part of these financial statements.

Company No.

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AIRASIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

		Attributable to equity holders of the Company							
		Issued and fully paid ordinary shares of RM0.10 each							
Group	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
At 1 January 2008		2,371,541	237,154	732,737	592	1,128,734	2,099,217	-	2,099,217
Net loss for the financial year		-	-	-	-	(496,563)	(496,563)	-	(496,563)
Issuance of ordinary shares									
- pursuant to the Employee Share Option Scheme ('ESOS')	29	2,669	267	2,615	-	-	2,882	-	2,882
At 31 December 2008		2,374,210	237,421	735,352	592	632,171	1,605,536	-	1,605,536
Net profit for the financial year		-	-	-	-	506,267	506,267	-	506,267
Issuance of ordinary shares									
- issue of shares	29	380,000	38,000	467,400	-	-	505,400	-	505,400
- pursuant to the Employee Share Option Scheme ('ESOS')	29	3,535	353	3,464	-	-	3,817	-	3,817
At 31 December 2009		2,757,745	275,774	1,206,216	592	1,138,438	2,621,020	-	2,621,020

The notes on pages 13 to 70 form part of these financial statements.

AIRASIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

		Issued and fully paid ordinary shares of RM0.10 each		Non-distributable	Distributable	
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000
Company						
At 1 January 2008		2,371,541	237,154	732,737	1,138,057	2,107,948
Net loss for the financial year		-	-	-	(495,352)	(495,352)
Issuance of shares						
- pursuant to the Employee Share Option Scheme ('ESOS')	29	2,669	267	2,615	-	2,882
At 31 December 2008		2,374,210	237,421	735,352	642,705	1,615,478
Net profit for the financial year		-	-	-	501,999	501,999
Issuance of shares						
- issue of shares	29	380,000	38,000	467,400	-	505,400
- pursuant to the Employee Share Option Scheme ('ESOS')	29	3,535	353	3,464	-	3,817
At 31 December 2009		2,757,745	275,774	1,206,216	1,144,704	2,626,694

The notes on pages 13 to 70 form part of these financial statements.

Company No.	
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AIRASIA BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	622,288	(869,198)	618,020	(867,987)
Adjustments:				
Property, plant and equipment				
- Depreciation	447,644	346,954	447,637	346,946
- Write off	388	29	388	37
- Gain on disposals	(30,696)	(15,554)	(30,696)	(15,554)
Loss on disposal of other investments	-	4,217	-	4,217
Amortisation of long term prepayments	9,645	10,261	9,645	10,261
Amortisation of other investments	11	13	11	13
Write-off of receivables	-	737	-	737
Provision for loss on unwinding of derivatives	-	151,713	-	151,713
Net unrealised foreign exchange (gain)/loss	(39,742)	227,994	(39,742)	227,994
Interest expense	371,153	297,533	371,153	297,533
Interest income	(6,300)	(20,990)	(6,257)	(20,990)
	1,374,391	133,709	1,370,159	134,920
Changes in working capital:				
Inventories	(180)	(3,117)	(179)	(3,118)
Receivables and prepayments	(28,438)	(148,520)	(28,869)	(145,076)
Trade and other payables	77,701	390,480	69,716	352,006
Intercompany balances	(166,457)	(565,117)	(155,435)	(526,529)
Cash generated from/(used in) Operations	1,257,017	(192,565)	1,255,392	(187,797)
Interest paid	(322,407)	(239,755)	(322,407)	(239,755)
Utilisation of provision for loss on unwinding of derivatives	(151,713)	-	(151,713)	-
Interest received	6,300	20,990	6,257	20,990
Tax paid	(5,578)	(4,731)	(5,578)	(4,731)
Net cash from/(used in) operating activities	783,619	(416,061)	781,951	(411,293)

Company No.

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AIRASIA BERHAD
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CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Property, plant and equipment					
- Additions		(1,947,763)	(2,623,001)	(1,947,746)	(2,622,980)
- Proceeds from disposals		182,538	50,043	182,538	50,043
Deposits on lease of aircraft		(12,243)	(7,448)	(12,243)	(7,448)
Long term prepayments		-	(48,197)	-	(48,197)
Proceeds from disposal of other investments		-	26,675	-	26,675
Net cash used in investing activities		(1,777,468)	(2,601,928)	(1,777,451)	(2,601,907)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from allotment of shares		509,217	2,882	509,217	2,882
Hire-purchase instalments paid		(77)	(77)	(77)	(77)
Proceeds from borrowings		1,670,390	3,044,531	1,670,390	3,044,531
Repayment of borrowings		(593,131)	(300,780)	(593,131)	(300,780)
Deposits pledged as securities		5,112	2,019	5,112	2,019
Net cash from financing activities		1,591,511	2,748,575	1,591,511	2,748,575
NET INCREASE/(DECREASE) FOR THE FINANCIAL YEAR		597,662	(269,414)	596,011	(264,625)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		120,803	390,217	121,487	386,112
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	23	718,465	120,803	717,498	121,487

The notes on pages 13 to 70 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009

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 12 to the financial statements. There was no significant change 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

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 ('FRSs'), 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 below.

The preparation of financial statements in conformity with FRSs, the MASB approved accounting standards in Malaysia for Entities Other than Private Entities, 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)

(i) Standards, amendments to published standards and interpretations that are applicable to the Group and Company and are effective

There are no new accounting standards, amendments to published standards and interpretations to existing standards effective for the Group and Company's financial year ended 31 December 2009 and applicable to the Group and Company.

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective and have not been early adopted

- The revised FRS 3 "Business Combinations" (effective prospectively from 1 July 2010
- FRS 7 "Financial Instruments: Disclosures" (effective from 1 January 2010)
- FRS 8 "Operating Segments" (effective from 1 July 2009)
- The revised FRS 101 "Presentation of Financial Statements" (effective from 1 January 2010)
- The revised FRS 127 "Consolidated and Separate Financial Statements" (effective prospectively from 1 July 2010)
- The amendment to FRS 1 and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" (effective from 1 January 2010)
- FRS 139 "Financial Instruments: Recognition and Measurement" (effective from 1 January 2010)
- IC Interpretation 9 "Reassessment of Embedded Derivatives" (effective from 1 January 2010)
- The amendments to FRS 132 "Financial instruments: Presentation" (effective 1 January 2010)
- IC Interpretation 10 "Interim Financial Reporting and Impairment" (effective from 1 January 2010)
- IC Interpretation 13 "Customer Loyalty Programmes" (effective from 1 January 2010)

The Group and Company will apply these new standards, amendments to standards and interpretations when effective. The Group and Company have applied the transitional provision in the following standards which exempts entities from disclosing the possible impact arising from the initial application of the standard on the financial statements of the Group and Company.

- FRS 139 "Financial Instruments: Recognition and Measurement"
- FRS 7 "Financial Instruments: Disclosures"

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iii) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and are not relevant to the Group and Company

- FRS 1 "First-time Adoption of Financial Reporting Standards" (effective from 1 January 2010)
- The amendment to FRS 2 "Share-based Payment: Vesting Conditions and Cancellations" (effective from 1 January 2010)
- FRS 4 Insurance Contracts (effective from 1 January 2010)
- FRS 123 "Borrowing Costs" (effective from 1 January 2010)
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions" (effective from 1 January 2010)
- IC Interpretation 12 "Service Concession Arrangements" (effective from 1 July 2010)
- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective from 1 January 2010)
- IC Interpretation 15 "Agreements for Construction of Real Estates" (effective from 1 July 2010)
- IC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation" (effective from 1 July 2010)
- IC Interpretation 17 "Distribution of Non-cash Assets to Owners" (effective from 1 July 2010)

(b) Group accounting

(i) Subsidiaries

Subsidiaries are those corporations or other entities (including special purpose entities) in which the Group has power to exercise control over 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 effect 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 excluded from consolidation from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Group accounting (continued)

(i) Subsidiaries (continued)

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (see Note 2(c) on goodwill).

Minority interests represent that portion of the profit or loss and net assets of subsidiaries attributable to equity interest that are not owned, directly or indirectly through the subsidiaries, by the parent. It is measured at the minorities' share of the fair values of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in subsidiaries' equity since that date. Separate disclosure is made of minority interests.

Intragroup transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that subsidiary which were previously recognised in equity, and is recognised in the consolidated income statement.

(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 entity requires 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 as described in Note 2(b)(iii).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Group accounting (continued)

(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 control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss (see Note 2(c)).

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 within reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other long-term interests that, in substance, form part of the Group's net investment in the associate, 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 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)

(c) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries at the date of acquisition.

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 of 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 an entity include the carrying amount of goodwill relating to the entity 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.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. 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:

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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 2009, the estimated residual value for aircraft airframes and engines is 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(f) 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.

Advance payments and option payments made in respect of aircraft purchase commitments and options to acquire aircraft where the balance is expected to be funded by mortgage financing are recorded at cost. On acquisition of the related aircraft, these payments are included as part of the cost of aircraft and are depreciated from that date.

(e) Investments

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(f)).

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made, where in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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 is 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.

(g) 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.

(h) 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 estimated present value of the underlying lease payments at the date of inception. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (continued)

Finance leases (continued)

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(d) 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.

(i) 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.

(j) Receivables

Receivables are carried at invoiced amount less an allowance for doubtful debts based on a general and specific review of all outstanding amounts at the financial year end. Bad debts are written off during the financial year in which they are identified.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

(l) 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.

(m) Share capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(ii) Share issue costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends to shareholders of the Company

Dividends are recognised as a liability in the period in which they are declared.

(n) Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. The finance costs, which represent the difference between the net proceeds and the total amount of the payments of these borrowings, are allocated to periods over the term of the borrowings at a constant rate on the carrying amount and are charged to the income statement.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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 carryforward 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.

(p) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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.

Revenue includes fuel surcharge, insurance surcharge, administrative fees, excess baggage and baggage handling fees. Cargo, 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.

Interest and rental income are recognised on an accruals basis.

(r) 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Foreign currencies (continued)

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.

(s) 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'.

(t) Financial instruments

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial instruments (continued)

(ii) Financial instruments recognised on the balance sheet

The particular recognition and measurement method for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy note associated with each item.

(iii) Financial instruments not recognised on the balance sheet

The Group is a party to financial instruments that comprise fuel option contracts, foreign currency forward contracts and interest rate swap contracts.

These instruments are not recognised in the financial statements on inception except to the extent of cash payments on option premiums for fuel option contracts which are recorded in deposits.

Fuel option and swap contracts

The Group is a party to contracts to protect the Group from volatile movements in fuel prices. Gains and losses arising from fuel option and swap contracts are recognised in the income statement only upon settlement by delivery of fuel or on termination of fuel option and swap contracts.

Foreign currency forward contracts

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses on such contracts are recognised in the income statement when settled.

Interest rate swap and interest rate cap contracts

The Group enters into interest rate swap and interest rate cap contracts to protect the Group from unfavourable movement in interest rates via interest differential paid or received on an interest rate swap contract, which is recognised as a component of interest income or expense over the period of the contract. Gains and losses on early termination of interest rate swaps are taken to the income statement.

(iv) Fair value estimation for disclosure purposes

The face values for non-derivative financial assets, less any estimated credit adjustments and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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.

(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 frames and engines based on factors such as business plan 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 frames and engines as disclosed in Note 2(d), would increase the recorded depreciation and decrease the carrying amount of property, plant and equipment.

(ii) Deferred tax assets

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

(iii) Recoverability of intercompany balances

The Group has investments in Thai AirAsia Co. Ltd and PT Indonesia AirAsia, both of which provide air transportation services, as disclosed in Notes 13 and 14 to the financial statements respectively. As at the balance sheet date, the amounts owing by these related parties amount to RM366.4 million (2008: RM309.7 million) and RM445.8 million (2008: RM378.5 million) respectively. No allowances for doubtful debts have been provided for these balances as the Directors are of the view that these related parties would have sufficient future funds to repay these debts, based on the projected cash flows of these entities.

4 REVENUE

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Passenger seat sales	2,138,011	1,594,203	2,138,011	1,595,492
Aircraft operating lease income	320,332	179,285	320,332	179,285
Surcharges and fees	261,193	810,670	261,193	810,670
Travel and tour operations	60,852	40,997	-	-
Other revenue	352,513	229,815	352,513	229,815
	3,132,901	2,854,970	3,072,049	2,815,262

Other revenue includes excess baggage, baggage handling fee, freight and cancellation, documentation fees amounting to RM304.0 million (2008: RM189.0 million) for the Group and Company.

5 STAFF COSTS

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Wages, salaries, bonus and allowances	279,707	219,406	278,379	218,494
Defined contribution retirement plan	26,295	17,387	26,172	17,279
	306,002	236,793	304,551	235,773

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

	Group and Company 2009 RM'000	Group and Company 2008 RM'000
Executive Directors		
- basic salaries, bonus and allowances	8,640	4,440
- defined contribution plan	1,037	533
Non-executive Directors		
- fees	983	983
	10,660	5,956

5 STAFF COSTS (CONTINUED)

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

	Executive		Non-executive	
	2009	2008	2009	2008
Range of remuneration				
Up to RM50,000	-	-	-	-
RM50,001 to RM100,000	-	-	-	1
RM100,001 to RM150,000	-	-	3	3
RM150,001 to RM200,000	-	-	3	3
RM2,000,000 to RM4,000,000	-	2	-	-
RM4,000,001 to RM5,000,000	1	-	-	-
RM5,000,001 to RM6,000,000	1	-	-	-

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 prices RM/share	At 1.1.2009 '000	Exercised '000	Lapsed '000	At 31.12.2009 '000
1 Sept 2004	6 June 2014	1.08	1,200	-	-	1,200

	2009 '000	2008 '000
Number of share options vested at balance sheet date	1,200	1,200

During the financial year, the ESOS exercise period was extended for a further 5 years from 6 June 2009 to 6 June 2014.

6 OTHER OPERATING EXPENSES

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

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
- Write off	388	29	388	37
Rental of land and building	4,181	3,167	4,157	3,142
Auditors' remuneration	466	486	438	455
Write-off of receivables	-	737	-	737
Rental of equipment	1,475	530	1,475	530
Amortisation of long term prepayments	9,645	10,261	9,645	10,261
Amortisation of other investments	11	13	11	13
Loss on disposal of other investments	-	4,217	-	4,217
Net foreign exchange (gain)/loss				
- Realised	(49,020)	2,314	(49,968)	2,314
Unrealised	36,168	(21,277)	36,168	(21,277)

7 OTHER INCOME

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Gain on disposals of property, plant and equipment	30,696	15,554	30,696	15,554
Others	71,687	65,991	71,687	65,991
	102,383	81,545	102,383	81,545

8 FINANCE INCOME/(COSTS)

	Group		Company	
	2009	2008	2009	20089
	RM'000	RM'000	RM'000	RM'000
Finance income:				
Foreign exchange gain on borrowings				
- Realised	2,295	14,255	2,295	14,255
- Unrealised	75,910	-	75,910	-
Interest income				
- deposits with licensed banks	1,009	1,687	1,009	1,687
- short term deposits with fund management companies	627	5,435	627	5,435
- other interest income	4,664	13,868	4,621	13,868
	84,505	35,245	84,462	35,245
Finance costs:				
Unrealised foreign exchange loss on borrowings	-	(249,271)	-	(249,271)
Interest expense				
- bank borrowings	(371,141)	(297,521)	(371,141)	(297,521)
- hire-purchase payables	(12)	(12)	(12)	(12)
Bank facilities and other charges	(3,818)	(5,981)	(3,818)	(5,978)
	(374,971)	(552,785)	(374,971)	(552,782)
Net finance costs	(290,466)	(517,540)	(290,509)	(517,537)

9 TAXATION

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Current taxation				
- Malaysian tax	12,301	2,179	12,301	2,179
- Foreign tax	1,805	1,590	1,805	1,590
Overprovision of income tax in prior years	(2,920)	-	(2,920)	-
Deferred taxation (Note 17)	104,835	(376,404)	104,835	(376,404)
	116,021	(372,635)	116,021	(372,635)
Current taxation				
- Current financial year	14,106	3,769	14,106	3,769
- Overprovision of income tax in prior years	(2,920)	-	(2,920)	-
Deferred taxation				
- Origination and reversal of temporary differences	121,581	(164,179)	121,581	(164,179)
- Tax incentives	(16,746)	(212,225)	(16,746)	(212,225)
	116,021	(372,635)	116,021	(372,635)

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

The explanation of the relationship between taxation and profit/(loss) before taxation is as follows:

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation	622,288	(869,198)	618,020	(867,987)
Tax calculated at Malaysian tax rate of 25 % (2008: 26%)	155,572	(225,991)	154,505	(225,677)
Tax effects of:				
- expenses not deductible for tax purposes	2,559	66,973	3,626	66,659
- income not subject to tax	(23,268)	(2,237)	(23,268)	(2,237)
- temporary differences not recognised within the pioneer period	824	845	824	845
- tax incentives	(16,746)	(212,225)	(16,746)	(212,225)
- over provision of income tax in prior years	(2,920)	-	(2,920)	-
Taxation	116,021	(372,635)	116,021	(372,635)

10 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	Group	
	2009	2008
Profit/(loss) for the financial year (RM'000)	506,267	(496,563)
Weighted average number of ordinary shares in issue ('000)	2,456,443	2,358,313
Earnings/(loss) per share (sen)	20.6	(21.1)

(b) Diluted earnings/(loss) per share

For the diluted earnings/(loss) 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 from share options granted to employees.

In assessing the dilution in earnings/(loss) per share arising from the issue of share options, certain computations are performed to determine the number of shares that could have been acquired at market price. 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/(loss) for the financial year in the calculation of the diluted earnings/(loss) per share from the issue of the share options.

	Group	
	2009	2008
Profit/(loss) for the financial year (RM'000)	506,267	(496,563)
Weighted average number of ordinary shares in issue ('000)	2,456,443	2,358,313
Adjustment for ESOS ('000)	-	3,388
Weighted average number of ordinary shares for diluted earnings per share	2,456,443	2,361,701
Diluted earnings/(loss) per share (sen)	20.6	N/A

As the diluted earnings/(loss) per share computation is anti-dilutive, the diluted earnings/(loss) per share is assumed to be similar to the basic earnings/(loss) per share.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT

	At 1 January 2009 RM'000	Additions RM'000	Reclassi- fications RM'000	Write off RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2009 RM'000
Group							
Net book value							
Aircraft engines, airframe and service potential	6,337,262	1,894,583	(102)	-	(151,810)	(403,826)	7,676,107
Aircraft spares	100,820	33,491	-	-	-	(15,617)	118,694
Aircraft fixtures and fittings	36,784	3,290	-	-	-	(11,732)	28,342
Buildings	13,982	-	24,528	-	-	(520)	37,990
Motor vehicles	5,194	2,149	-	-	-	(2,382)	4,961
Office equipment, furniture and fittings	10,208	5,662	83	-	-	(4,745)	11,208
Office renovation	2,814	1,609	-	-	-	(1,553)	2,870
Simulator equipment	49,740	168	-	-	-	(2,238)	47,670
Operating plant and ground equipment	11,772	3,998	102	(388)	(32)	(4,463)	10,989
Kitchen equipment	194	-	-	-	-	-	194
In flight equipment	308	216	-	-	-	(101)	423
Training equipment	620	2,021	-	-	-	(467)	2,174
Assets not yet in operation	24,601	576	(24,611)	-	-	-	566
	6,594,299	1,947,763	-	(388)	(151,842)	(447,644)	7,942,188

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Group			
At 31 December 2009			
Aircraft engines, airframe and service potential	8,628,583	(952,476)	7,676,107
Aircraft spares	168,037	(49,343)	118,694
Aircraft fixtures and fittings	65,602	(37,260)	28,342
Buildings	40,362	(2,372)	37,990
Motor vehicles	14,337	(9,376)	4,961
Office equipment, furniture and fittings	37,126	(25,918)	11,208
Office renovation	9,197	(6,327)	2,870
Simulator equipment	55,930	(8,260)	47,670
Operating plant and ground equipment	25,136	(14,147)	10,989
Kitchen equipment	202	(8)	194
In flight equipment	559	(136)	423
Training equipment	2,733	(559)	2,174
Assets not yet in operation	566	-	566
	9,048,370	(1,106,182)	7,942,188

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	At 1 January 2008 RM'000	Additions RM'000	Write off RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2008 RM'000
Net book value						
Aircraft engines, airframe and service potential	4,153,322	2,527,299	-	(34,489)	(308,870)	6,337,262
Aircraft spares	67,555	45,492	-	-	(12,227)	100,820
Aircraft fixtures and fittings	25,941	21,467	(6)	-	(10,618)	36,784
Buildings	14,386	116	-	-	(520)	13,982
Motor vehicles	6,686	585	(1)	-	(2,076)	5,194
Office equipment, furniture and fittings	10,708	4,233	(19)	-	(4,714)	10,208
Office renovation	3,374	749	-	-	(1,309)	2,814
Simulator equipment	51,504	462	-	-	(2,226)	49,740
Operating plant and ground equipment	9,602	6,432	(3)	-	(4,259)	11,772
Kitchen equipment	202	-	-	-	(8)	194
In flight equipment	-	343	-	-	(35)	308
Training equipment	-	712	-	-	(92)	620
Assets not yet in operation	9,490	15,111	-	-	-	24,601
	4,352,770	2,623,001	(29)	(34,489)	(346,954)	6,594,299

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Group			
At 31 December 2008			
Aircraft engines, airframe and service potential	6,933,414	(596,152)	6,337,262
Aircraft spares	134,546	(33,726)	100,820
Aircraft fixtures and fittings	62,312	(25,528)	36,784
Buildings	15,834	(1,852)	13,982
Motor vehicles	11,610	(6,416)	5,194
Office equipment, furniture and fittings	31,389	(21,181)	10,208
Office renovation	7,588	(4,774)	2,814
Simulator equipment	55,762	(6,022)	49,740
Operating plant and ground equipment	21,489	(9,717)	11,772
Kitchen equipment	299	(105)	194
In flight equipment	343	(35)	308
Training equipment	712	(92)	620
Assets not yet in operation	24,601	-	24,601
	7,299,899	(705,600)	6,594,299

AIRASIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	At 1 January 2009 RM'000	Additions RM'000	Reclassi-fications RM'000	Write off RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2009 RM'000
Net book value							
Aircraft engines, airframe and service potential	6,337,262	1,894,583	(102)	-	(151,810)	(403,826)	7,676,107
Aircraft spares	100,820	33,491	-	-	-	(15,617)	118,694
Aircraft fixtures and fittings	36,784	3,290	-	-	-	(11,732)	28,342
Buildings	13,982	-	24,528	-	-	(520)	37,990
Motor vehicles	4,589	2,149	-	-	-	(2,382)	4,356
Office equipment, furniture and fittings	10,122	5,645	83	-	-	(4,738)	11,112
Office renovation	2,814	1,609	-	-	-	(1,553)	2,870
Simulator equipment	49,740	168	-	-	-	(2,238)	47,670
Operating plant and ground equipment	11,772	3,998	102	(388)	(32)	(4,463)	10,989
Inflight equipment	308	216	-	-	-	(101)	423
Training equipment	620	2,021	-	-	-	(467)	2,174
Assets not yet in operation	24,601	576	(24,611)	-	-	-	566
	6,593,414	1,947,746	-	(388)	(151,842)	(447,637)	7,941,293

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Company			
At 31 December 2009			
Aircraft engines, airframe and service potential	8,628,583	(952,476)	7,676,107
Aircraft spares	168,037	(49,343)	118,694
Aircraft fixtures and fittings	65,602	(37,260)	28,342
Buildings	40,362	(2,372)	37,990
Motor vehicles	13,732	(9,376)	4,356
Office equipment, furniture and fittings	37,031	(25,919)	11,112
Office renovation	9,197	(6,327)	2,870
Simulator equipment	55,930	(8,260)	47,670
Operating plant and ground equipment	25,136	(14,147)	10,989
In flight equipment	559	(136)	423
Training equipment	2,733	(559)	2,174
Assets not yet in operation	566	-	566
	9,047,468	(1,106,175)	7,941,293

Company No.

284669	W

AIRASIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	At 1 January 2008 RM'000	Additions RM'000	Write off RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2008 RM'000
Net book value						
Aircraft engines, airframe and service potential	4,153,322	2,527,299	-	(34,489)	(308,870)	6,337,262
Aircraft spares	67,555	45,492		-	(12,227)	100,820
Aircraft fixtures and fittings	25,941	21,467	(6)	-	(10,618)	36,784
Buildings	14,386	116	-	-	(520)	13,982
Motor vehicles	6,081	585	(1)	-	(2,076)	4,589
Office equipment, furniture and fittings	10,651	4,212	(27)	-	(4,714)	10,122
Office renovation	3,374	749	-	-	(1,309)	2,814
Simulator equipment	51,504	462	-	-	(2,226)	49,740
Operating plant and ground equipment	9,602	6,432	(3)	-	(4,259)	11,772
Inflight equipment	-	343	-	-	(35)	308
Training equipment	-	712	-	-	(92)	620
Assets not yet in operation	9,490	15,111	-	-	-	24,601
	4,351,906	2,622,980	(37)	(34,489)	(346,946)	6,593,414

Company No.

284669	W

AIRASIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Company			
At 31 December 2008			
Aircraft engines, airframe and service potential	6,933,414	(596,152)	6,337,262
Aircraft spares	134,546	(33,726)	100,820
Aircraft fixtures and fittings	62,312	(25,528)	36,784
Buildings	15,834	(1,852)	13,982
Motor vehicles	11,608	(7,019)	4,589
Office equipment, furniture and fittings	31,303	(21,181)	10,122
Office renovation	7,588	(4,774)	2,814
Simulator equipment	55,762	(6,022)	49,740
Operating plant and ground equipment	21,489	(9,717)	11,772
In flight equipment	343	(35)	308
Training equipment	712	(92)	620
Assets not yet in operation	24,601	-	24,601
	7,299,512	(706,098)	6,953,414

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

	Group and Company	
	2009 RM'000	2008 RM'000
Net book value of owned aircraft sub-leased out	2,458,972	1,392,929
Aircraft pledged as security for borrowings (Note 28)	7,643,739	6,247,372
Simulator pledged as security for borrowings (Note 28)	43,409	45,444
Motor vehicles on hire-purchase	76	166

The beneficial ownership and operational control of certain 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.

12 INVESTMENT IN SUBSIDIARIES

	Company	
	2009	2008
	RM'000	RM'000
Unquoted investments, at cost	22,194	22,194

The details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective equity interest 2009 %	2008 %	Principal activities
Directly held by the Company				
Crunchtime Culinary Services Sdn Bhd ("Crunchtime")	Malaysia	100.0	100.0	Provision of inflight meals, currently dormant
AA International Ltd ("AAIL") ^	Malaysia	100.0	100.0	Investment holding
AirAsia Go Holiday Sdn Bhd	Malaysia	100.0	100.0	Tour operating business
AirAsia (Mauritius) Limited ("AirAsia Mauritius") *	Mauritius	100.0	100.0	Providing aircraft leasing facilities to Thai AirAsia Co. Ltd
Airspace Communications Sdn Bhd ("Airspace")	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
AirAsia Corporate Services Limited ^	Malaysia	100.0	100.0	Facilitate business transactions for AirAsia Group with non-resident goods and service providers, currently dormant
Aras Sejagat Sdn Bhd	Malaysia	100.0	100.0	Special purpose vehicle for financing arrangements required by AirAsia
Asia Air Limited	United Kingdom	100.0	-	To provide and promote AirAsia's in-flight food to the European market
Held by AAIL				
AirAsia (Hong Kong) Limited ("AirAsia HK") *	Hong Kong	100.0	100.0	Dormant
AA Capital Ltd ^	Malaysia	100.0	100.0	Dormant

* Not audited by PricewaterhouseCoopers, Malaysia
^ Not required to be audited