13 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group 2009 RM'000	Group 2008 RM'000
Represented by:		
Unquoted investment, at cost	12,054	12,054
Group's share of post acquisition reserves	(12,054)	(12,054)
	-	-

The details of the jointly controlled entity are as follows:

Name	Country of incorporation	Group's effective equity interest 2009 %	Group's effective equity interest 2008 %	Principal activities
Held by AAIL				
Thai AirAsia Co. Ltd ("Thai AirAsia")	Thailand	48.9	48.9	Aerial transport of persons, things and posts

The Group's share of the results of the jointly controlled entity, which has not been equity accounted for, is as follows:

	2009 RM'000	2008 RM'000
Revenue	456,505	439,317
Expenses	(496,065)	(604,817)
Loss before taxation	(39,560)	(165,500)
Taxation	-	-
Net loss for the financial year	(39,560)	(165,500)

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

	2009 RM'000	2008 RM'000
Non-current assets	14,112	29,180
Current assets	89,028	53,581
Current liabilities	(355,097)	(295,158)
Share of net liabilities of the jointly controlled entity	(251,957)	(212,397)

13 INVESTMENT IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

The Group discontinued recognition of its share of further losses 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 2009, the unrecognised amount of the Group's share of losses of Thai AirAsia which has not been equity accounted for amounted to RM240.6 million (2008: RM201.0 million).

14 INVESTMENT IN ASSOCIATES

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Unquoted investment, at cost	4,141	4,141	29	29
Group's share of post acquisition losses	(4,112)	(4,112)	-	-
	29	29	29	29

The details of the associates are as follows:

Name	Country of incorporation	Group's effective equity interest 2009 %	Group's effective equity interest 2008 %	Principal activities
AirAsia Philippines Inc	Philippines	39.9	39.9	Providing air transportation Services, currently dormant
AirAsia Pte Ltd ("AAPL")	Singapore	48.9	48.9	Dormant
Asian Contact Centres Sdn. Bhd.	Malaysia	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 service
AirAsia Go Holiday Co. Ltd	Thailand	49.0	49.0	Tour operating business, currently dormant

14 INVESTMENT IN ASSOCIATES (CONTINUED)

The Group's share of the results of associates, which has not been equity accounted for, is as follows:

	2009 RM'000	2008 RM'000
Revenue	308,204	235,813
Expenses	(356,293)	(357,480)
Loss before taxation	(48,089)	(121,667)
Taxation	-	-
Net loss for the financial year	(48,089)	(121,667)

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

	2009 RM'000	2008 RM'000
Non-current assets	16,570	9,204
Current assets	63,342	31,399
Current liabilities	(260,582)	(173,184)
Non-current liabilities	(31,526)	(31,526)
Share of net liabilities of associates	(212,196)	(164,107)

The Group discontinued recognition of its share of further losses made by Thai Crunch Time and IAA as the Group's interest in these associates has been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of the associates. As at 31 December 2009, the unrecognised amount of the Group's share of losses of Thai Crunch Time and IAA which has not been equity accounted for amounted to RM0.1 million (2008: RM0.1 million) and RM234.0 million (2008: RM185.9 million) respectively.

15 OTHER INVESTMENTS

	Group and Company	
	2009	2008
	RM'000	RM'000
Non-current:		
Recreational golf club membership	37	48
Investment in AirAsia X Sdn Bhd ("AAX")	26,667	26,667
	26,704	26,715

During the financial period ended 31 December 2007, the Company subscribed for 26,666,667 redeemable convertible preference shares Series 1 ("RCPS") of RM1.00 each at par in AirAsia X Sdn Bhd.

16 GOODWILL

	Group
	RM'000
Cost/net book value	
At 31 December 2008/31 December 2009	8,738

The Group undertakes an annual test for impairment of its goodwill. The carrying amount of goodwill is allocated to the Group's cash generating unit, i.e. primarily the investment in a subsidiary, AAIL. No impairment loss was required for the carrying amount of goodwill assessed as at 31 December 2009 as the recoverable amount is in excess of the carrying amount.

Key assumptions used in the value-in-use calculations

The recoverable amount of the cash-generating unit including goodwill is determined based on the value-in-use calculation. This value-in-use calculation applies a discounted cash flow model using cash flow projections covering a five-year period for the subsidiary's business operations. The projections reflect the subsidiary's expectation of revenue growth, operating costs and margins of its investment based on past experience and current assessment of market share, expectation of market growth and industry growth.

For purposes of the value-in-use calculation, a discount rate of 10% per annum has been applied. The discount rate reflects an independent market rate applicable to the operations of the cash generating unit.

Impact of possible change in key assumptions

Sensitivity analysis shows that no impairment loss is required for the carrying amount of goodwill, including where realistic variations are applied to key assumptions.

17 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 sheet:

	Group and Company	
	2009	2008
	RM'000	RM'000
Deferred tax assets	751,274	856,109

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

	Group and Company	
	2009	2008
	RM'000	RM'000
At start of year	856,109	479,705
(Charged)/credited to income statement (Note 9)		
- Property, plant and equipment	(58,874)	101,839
- Tax incentives	16,746	212,225
- Tax losses	(24,779)	24,412
- Provisions	(37,928)	37,928
	(104,835)	376,404
At end of year	751,274	856,109
Deferred tax assets (before offsetting)		
Tax incentives	825,897	809,151
Tax losses	9,171	33,950
Provisions	-	37,928
	835,068	881,029
Offsetting	(83,794)	(24,920)
Deferred tax assets (after offsetting)	751,274	856,109
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	(83,794)	(24,920)
Offsetting	83,794	24,920
Deferred tax liabilities (after offsetting)	-	-

Company No.

284669	W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

17 DEFERRED TAXATION (CONTINUED)

As disclosed in Note 3 to the financial statements in respect of critical accounting estimates and judgments, the deferred tax assets are recognized on the basis of the Company'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.

The Ministry of Finance has previously granted approval to the Company under Section 127 of Income Tax Act, 1967 for income tax exemption in the form of an Investment Allowance ("IA") of 60% on qualifying expenditure incurred within a period of 5 years commencing 1 July 2004 to 30 June 2009, to be set off against 70% of statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared. The exemption expired in the current financial year and the Company is in the process of applying for an extension of the IA.

18 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-current:				
Long term prepayments	23,593	24,258	23,593	24,258
Current:				
Trade receivables	70,520	47,952	70,530	47,374
Less: Allowance for doubtful debts	(1,994)	(1,994)	(1,994)	(1,994)
	68,526	45,958	68,536	45,380
Other receivables	114,161	135,141	113,870	134,327
Less: Allowance for doubtful debts	(1,072)	(1,072)	(1,072)	(1,072)
	113,089	134,069	112,798	133,255
Prepayments	250,997	107,735	250,408	107,671
Deposits	288,470	401,619	287,866	401,170
	721,082	689,381	719,608	687,476

18 RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
RM	118,805	122,918	117,920	121,013
USD	343,374	458,643	343,374	458,707
Others	7,906	85	7,906	85
	470,085	581,646	469,200	579,805

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

Included in deposits are cash collateral for derivatives and deposits to lessors for maintenance of aircraft amounting to RM192.8million (2008: RM364.8 million) for the Group and Company.

19 AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount due from Thai AirAsia Co. Ltd, the jointly controlled entity, is denominated in US Dollar, unsecured, interest free and has no fixed terms of repayment, except for an amount of RM171,885,000 (2008:RM Nil) which is repayable after 12 months.

Subsequent to the financial year end, the amount due from a jointly controlled entity would be charged an interest rate equivalent to the Company's borrowing rate.

The analysis of the movements in the amount due from a jointly controlled entity for the financial year ended 31 December 2009 is as follows:

	Group
	2009
	RM'000
Balance as at 1 January	309,683
Recharges and other expenses	385,238
Receipts and settlements	(312,459)
Foreign exchange loss on translation	(16,074)
Balance as at 31 December	366,388

20 AMOUNTS DUE FROM/(TO) ASSOCIATES

The amounts due from/(to) associates are unsecured, interest free and have no fixed terms of repayment, except for an amount of RM253,037,000 (2008:RM Nil) which is repayable after 12 months.

Subsequent to the financial year end, the amount due from associates would be charged an interest rate equivalent to the Company's borrowing rate.

The analysis of the movements in the amounts due from associates for the financial year ended 31 December 2009 is as follows:

	Group 2009 RM'000
Balance as at 1 January	387,647
Recharges and other expenses	490,403
Receipts and settlements	(404,639)
Foreign exchange loss on translation	(16,444)
Balance as at 31 December	456,967

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

	Group and Company 2009 RM'000	Group and Company 2008 RM'000
Amounts due from associates		
- USD	445,776	378,526
- Philippine Peso ("PHP")	11,191	9,121
	456,967	387,647
Amount due to an associate		
- Singapore Dollar ("SGD")	(3,382)	(4,359)

21 INVENTORIES

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Spares and consumables	18,050	17,622	18,050	17,622
In flight merchandise and others	2,814	3,062	2,266	2,515
	20,864	20,684	20,316	20,137

22 AMOUNTS DUE FROM SUBSIDIARIES AND A RELATED COMPANY

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

The amount due from a related company is denominated in Ringgit Malaysia, unsecured, interest free and has no fixed terms of repayment.

23 CASH AND CASH EQUIVALENTS

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Cash and bank balances	254,207	72,625	253,240	73,309
Deposits with licensed banks	391,478	81,137	391,478	81,137
Short-term deposits with fund management companies	100,627	-	100,627	-
Deposits, cash and bank balances	746,312	153,762	745,345	154,446
Deposits pledged as securities	(27,847)	(32,959)	(27,847)	(32,959)
	718,465	120,803	717,498	121,487

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

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
RM	526,688	78,399	525,721	79,083
USD	121,107	59,787	121,107	59,787
SGD	37,246	5,551	37,246	5,551
Chinese Yuan ("CNY")	21,143	3,467	21,143	3,467
Thai Baht ("THB")	20,591	79	20,591	79
Brunei Dollar ("BND")	8,047	1,498	8,047	1,498
Indonesian Rupiah ("IDR")	1,785	1,744	1,785	1,744
Hong Kong Dollar ("HKD")	1,843	217	1,843	217
EURO	778	10	778	10
Others	7,084	3,010	7,084	3,010
	746,312	153,762	745,345	154,446

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

23 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Group 2009 %	Group 2008 %	Company 2009 %	Company 2008 %
Deposits with licensed banks	2.95	3.27	2.95	3.27
Short-term deposits with fund management companies	2.54	-	2.54	-

24 TRADE AND OTHER PAYABLES

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Trade payables	90,433	108,109	81,545	104,646
Accrual for fuel	114,660	57,939	114,660	57,939
Aircraft maintenance accruals	261,448	199,520	261,448	199,520
Other payables and accruals	406,449	408,682	404,194	408,682
	872,990	774,250	861,847	770,787

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

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
RM	817,010	553,512	805,867	550,049
USD	44,415	219,009	44,415	219,009
Others	11,565	1,729	11,565	1,729
	872,990	774,250	861,847	770,787

25 PROVISION FOR LOSS ON UNWINDING OF DERIVATIVES

As disclosed in the summary of significant accounting policies, the Group enters into interest rate swap contracts to protect the Group against upward movements in interest rates. Payments relating to these periodic cash settled contracts are recognised as a component of interest income or expense over the period of the contracts. Gains and losses on early termination of interest rate swaps are taken to the income statement.

During the previous financial year ended 31 December 2008, the Company had terminated a number of its interest rate swap contracts in view of the sharp decline in both short-term and long-term interest rates. However, in view of continuing uncertainties in the global economy, the Group had evaluated and made arrangements to further terminate some of its swap positions. A provision has been recognised at the end of the previous financial year for the expected amount of loss on the termination in respect of these contracts.

Subsequent to the previous financial year end, the Group terminated the said swap contracts and the provision for loss on unwinding of derivatives was substantially utilised.

The movements during the financial year in the amount recognised in the financial statements are as follows:

	Group and Company	
	2009	2008
	RM'000	RM'000
At 1 January	151,713	-
Charged to income statement	-	151,713
Utilised during the financial year	(151,713)	-
At 31 December	-	151,713

26 AMOUNTS DUE TO SUBSIDIARIES AND A RELATED COMPANY

The amounts due to subsidiaries and a related company are denominated in Ringgit Malaysia, unsecured, interest free and have no fixed terms of repayment.

27 HIRE-PURCHASE PAYABLES

This represents future instalments under hire-purchase agreements, repayable as follows:

	Group and Company	
	2009	2008
	RM'000	RM'000
Minimum payments:		
- Not later than 1 year	66	90
- Later than 1 year and not later than 5 years	19	84
	85	174
Less: Future finance charges	(13)	(25)
Present value of liabilities	72	149
Present value of liabilities:		
- Not later than 1 year	56	77
- Later than 1 year and not later than 5 years	16	72
	72	149

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default.

As at 31 December 2009, the effective interest rate applicable to the lease liabilities was 3.46% (2008: 3.33%) per annum for the Group and Company. The entire balance is denominated in Ringgit Malaysia.

28 BORROWINGS

	Weighted average rate of finance %	Group and Company 2009 RM'000	Group and Company 2008 RM'000
Current:			
Term loans	4.15	429,575	432,570
Revolving credit facilities	4.10	48,000	46,995
Finance lease liabilities	5.48	53,877	51,224
Commodity Murabaha Finance	3.99	8,760	8,145
		540,212	538,934
Non-current:			
Term loans	4.15	5,507,796	4,430,364
Finance lease liabilities	5.48	1,031,313	1,099,319
Commodity Murabaha Finance	3.99	108,587	117,942
Sukuk	4.85	420,000	420,000
		7,067,696	6,067,625
Total borrowings		7,607,908	6,606,559

The Group's long term borrowings are repayable as follows:

	Group and Company 2009 RM'000	Group and Company 2008 RM'000
Not later than 1 year	540,212	538,934
Later than 1 year and not later than 5 years	2,557,423	2,053,281
Later than 5 years	4,510,273	4,014,344
	7,607,908	6,606,559

The currency exposure profile of borrowings is as follows:

RM	585,347	593,081
USD	6,972,039	5,865,631
EURO	50,522	147,847
	7,607,908	6,606,559

28 BORROWINGS (CONTINUED)

The above term loans, finance lease liabilities (Ijarah) and Commodity Murabaha Finance are for the purchase of A320-200 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

(c) Assignment of airframe and engine warranties of each aircraft

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.

29 SHARE CAPITAL

	Group and Company	
	2009	2008
	RM'000	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	237,421	237,154
Issued during the financial year	38,353	267
At end of the financial year	275,774	237,421

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.

29 SHARE CAPITAL (CONTINUED)

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

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company implemented an ESOS on 1 September 2004. The 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.

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, the validity of this ESOS scheme was extended to 6 June 2014.

At 31 December 2009, options to subscribe for 26,460,900 (2008: 31,528,900) 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.

29 SHARE CAPITAL (CONTINUED)

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

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

Grant date	Expiry date	Exercise price RM/share	At 1.1.2009 '000	Granted '000	Exercised '000	Lapsed '000	At 31.12.2009 '000
1 Sept 2004	6 June 2014	1.08	31,529	-	(3,535)	(1,533)	26,461

	2009 '000	2008 '000
Number of share options vested at balance sheet date	26,461	31,529

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
April 2009 to June 2009	0.97 – 1.35	1.08	1,389
August 2009 to September 2009	1.14 – 1.45	1.08	1,719
October 2009 to December 2009	1.28 – 1.39	1.08	427
			3,535

	2009 RM'000	2008 RM'000
Ordinary share capital at par	353	267
Share premium	3,464	2,615
Proceeds received on exercise of share options	3,817	2,882
Fair value at exercise date of shares issued	4,580	3,918

30 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 2008 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 2009, the Company has sufficient Section 108 tax credits to pay approximately RM19.0 million (2008: RM19.0 million) of its retained earnings of the Company as franked dividends. The extent of the retained earnings not covered at that date amounted to RM1,125.7 million (2008: RM623.7 million). The tax credits under Section 108(6) of the Act are subject to the agreement by the Inland Revenue Board.

In addition, the Company has tax exempt income as at 31 December 2009 amounting to approximately RM0.5 million (2008: RM0.5 million) available for distribution as tax exempt dividends to shareholders. This tax exempt income is subject to the agreement by the Inland Revenue Board.

31 COMMITMENTS

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

	Group and Company	
	2009	2008
	RM'000	RM'000
Property, plant and equipment:		
Approved and contracted for	16,234,759	17,684,836
Approved but not contracted for	8,492,282	8,581,247
	24,727,041	26,266,083
Property, plant and equipment:		
Share of a jointly controlled entity's capital commitments	10,805	3,365
Share of an associate's capital commitments	8,505	4,754

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

AIRASIA BERHAD
(Incorporated in Malaysia)

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

31 COMMITMENTS (CONTINUED)

(b) Non-cancellable operating leases

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

	Group and Company			
	2009		2008	
	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	100,389	350,835	55,355	259,350
Later than 1 year and not later than 5 years	203,491	640,280	100,629	500,251
Later than 5 years	260,486	-	-	-
	564,366	991,115	155,984	759,601

Sublease receipts include lease receipts from both owned and leased aircraft.

32 CONTINGENT LIABILITIES

Thai AirAsia Co. Ltd ("TAA"), a jointly controlled entity of the Group, has contingent liabilities relating to guarantees issued by banks in respect of the company's pilot trainees loans in accordance with the pilot professional course amounting to RM5.0 million (31.12.2008: RM5.0 million) which will be terminated when the student pilot earns a commercial pilot license and is assigned as co-pilot, or whenever the pilot trainee can completely settle all outstanding debt with the bank. However, TAA can fully reclaim the said liabilities from the pilot trainees' guarantors as the guarantees have been pledged with TAA.

33 SEGMENTAL INFORMATION

Segmental information is not presented as there are no significant business segments other than the provision of air transportation services. The Group's operations are conducted predominantly in Malaysia.

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

The related party transactions of the Company comprise mainly transactions between the Company and its subsidiaries, jointly controlled entity and associates. Details of these related companies are shown in Notes 12, 13 and 14 to the financial statements.

All related party transactions were carried out on terms and conditions attainable in transactions with unrelated parties.

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 34(e) below.

Related party transactions also include transaction 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	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(a)	Income:				
	Aircraft operating lease income for owned and leased aircraft				
	- Thai AirAsia	175,035	122,935	175,035	122,935
	- Indonesia AirAsia	145,297	56,350	145,297	56,350
	Services charged to AirAsia X Sdn Bhd, a company with common Directors and shareholders	57,028	16,811	57,028	16,811
(b)	Recharges:				
	Maintenance and overhaul charges				
	- Thai AirAsia	27,809	51,102	27,809	51,102
	- Indonesia AirAsia	26,895	43,865	26,895	43,865
	Loss on unwinding of derivatives				
	- Thai AirAsia	43,414	221,724	43,414	211,724
	- Indonesia AirAsia	46,330	206,707	46,330	206,707

Company No.

284669	W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(c) Receivables:				
- AirAsia Mauritius	-	-	194,503	189,502
- AirAsia International Limited	-	-	3,123	3,112
- Thai AirAsia	366,388	309,683	171,885	120,181
- Indonesia AirAsia	445,776	378,526	445,776	378,526
- AirAsia Philippines	11,191	9,121	11,191	9,121
- AirAsia X Sdn Bhd	3,303	-	3,303	-
(d) Payables:				
- AirAsia Go Holiday Sdn Bhd	-	-	27,922	16,889
- Crunchtime Culinary Services Sdn Bhd	-	-	1,133	1,133
- AirAsia Pte Limited	3,382	4,359	3,382	4,359
- AirAsia X Sdn Bhd	-	3,634	-	3,634
(e) Key management compensation				
- basic salaries, bonus and allowances	13,617	10,155	13,617	10,155
- defined contribution plan	1,455	1,219	1,455	1,219
	15,072	11,374	15,072	11,374

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

35 FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy 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 Group operates within defined guidelines that are approved and reviewed periodically by the Board to minimise the effects of such volatility on its financial performance.

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

(a) Fuel price risk

The Group is exposed to jet fuel price risk arising from the fluctuations in the prices of jet fuel. It seeks to hedge its fuel requirements and implements various fuel management strategies in order to address the risk of rising fuel prices.

(b) Interest rate risk

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 borrowings and deposits and is managed by maintaining a prudent mix of fixed and floating rate debt and 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 had previously entered into a number of immediate and forward starting interest rate swap contracts and cross currency swap contracts that effectively converted its existing and future long-term floating rate debt facilities into fixed rate debts. However, loans of approximately 2.7% of total long term debt are not currently covered by such swaps and have therefore remained at floating rates linked to the London Inter Bank Offer Rate ("LIBOR").

During the financial year, the Company has terminated a number of its interest rate swap contracts in view of the sharp decline in both short-term and long-term interest rates.

At the same time, the Group has re-entered into new hedges via interest rate swaps and interest rate caps at lower rates. Some of the interest rate swaps have been embedded into the relevant aircraft loans to provide fixed rate facilities.

The remaining terms of the outstanding interest rate derivative contracts of the Company at 31 December 2009, which are denominated in US Dollars, are as follows:

	2009 RM'000 equivalent	2008 RM'000 equivalent
Later than 5 years:		
Interest rate caps	768,188	-
Interest rate swaps	3,409,159	5,205,199
Cross currency interest rate swaps	213,413	245,939
	4,390,760	5,451,138

Company No.

284669	W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

35 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Interest rate risk (continued)

The net exposure of financial assets and liabilities of the Group and Company to interest rate cash flow risk (after taking into account the effects of interest rate swaps described above) and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows:

Financial Instruments	Functional currency/ currency exposure	Effective interest at balance sheet date % per annum	Total carrying amount RM'000	Floating interest rate RM'000	Fixed interest rate 1 year or less RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	More than 5 years RM'000
Group and Company										
31 December 2009										
Deposits with licensed bank	RM/RM	2.95	391,478	-	391,478	-	-	-	-	-
Deposits with fund management companies	RM/RM	2.54	100,627	-	100,627	-	-	-	-	-
Term loans	RM/USD	4.15	(5,937,371)	(105,393)	(422,690)	(432,527)	(447,997)	(458,119)	(474,759)	(3,595,886)
Finance lease	RM/USD	5.48	(1,085,190)	-	(53,877)	(57,405)	(61,036)	(65,161)	(69,428)	(778,283)
Commodity Murabaha Finance	RM/USD	3.99	(117,347)	-	(8,760)	(9,067)	(9,566)	(10,094)	(10,650)	(69,210)
Sukuk	RM/RM	4.85	(420,000)	-	-	-	-	(420,000)	-	-
Revolving credit	RM/USD	4.10	(48,000)	-	(48,000)	-	-	-	-	-
Hire-purchase payables	RM/RM	3.46	(72)	-	(56)	(16)	-	-	-	-
			(7,115,875)	(105,393)	(41,278)	(499,015)	(518,599)	(953,374)	(554,837)	(4,443,379)

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

35 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Interest rate risk (continued)

Financial Instruments	Functional currency/ currency exposure	Effective interest at balance sheet date % per annum	Total carrying amount RM'000	Floating interest rate RM'000	Fixed interest rate: 1 year or less RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	More than 5 years RM'000
Group and Company										
31 December 2008										
Deposits with licensed bank	RM/RM	3.27	81,137	-	81,137	-	-	-	-	-
Term loans	RM/USD	5.11	(4,947,068)	(232,706)	(312,398)	(331,383)	(335,578)	(346,688)	(351,769)	(3,036,546)
Finance lease	RM/USD	6.09	(1,150,543)	-	(51,224)	(54,579)	(58,153)	(61,830)	(66,009)	(858,748)
Commodity Murabaha Finance	RM/USD	3.54	(126,087)	-	(8,145)	(8,593)	(9,067)	(9,566)	(10,094)	(80,622)
Sukuk	RM/RM	4.85	(420,000)	-	-	-	-	-	(420,000)	-
Revolving credit	RM/USD	4.58	(46,995)	-	(46,995)	-	-	-	-	-
Hire-purchase payables	RM/RM	3.33	(149)	-	(77)	(72)	-	-	-	-
			(6,609,705)	(232,706)	(337,702)	(394,627)	(402,798)	(418,084)	(847,872)	(3,975,916)

35 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Foreign currency risk

The Group has subsidiaries and associates operating in foreign countries which generate revenue and incur costs denominated in foreign currencies. The main currency exposures of the Group and Company are primarily in USD, Thai Baht and Indonesian Rupiah. The Group has a natural hedge to the extent that payments for foreign currency payables are matched against receivables denominated in the same foreign currency or whenever possible by intragroup arrangements and settlements.

The Company enters into forward foreign currency exchange contracts to limit its exposure on foreign currency receivables and payables. At 31 December 2009, the settlement dates on open forward contracts are in accordance with the loan instalment repayment dates. The foreign currency amounts to be received and contractual exchange rates of the Company's outstanding contracts were as follows:

Hedge item	Currency to be received	Currency to be paid	Notional amount RM'000 equivalent	Contractual rate
As at 31 December 2009	USD	MYR	4,467,600	3.000-3.369
As at 31 December 2008	USD	MYR	4,179,010	3.000-3.369

The net unrecognised and unrealised gains at 31 December 2009 on open contracts which hedge future payments on term loans amounted to RM81.99 million (2008: unrecognised and unrealised losses RM78.9 million).The full extent of crystallisation of any favourable or unfavourable variances can only be ascertained upon realisation of each settlement over the period of the long-term hedge contracts.

(d) Credit risk

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. 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 the 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.

(e) Liquidity and cash flow risks

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

36 FAIR VALUES OF FINANCIAL INSTRUMENTS FOR DISCLOSURE PURPOSES

On balance sheet financial instruments

The fair value of a financial instrument is assumed to be the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

Quoted market prices, when available, are used as a measure of fair values. However, for a significant portion of the Group's and Company's financial instruments, quoted market prices do not exist. For such financial instruments, fair values presented are estimates derived using the net present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values.

The carrying values of financial assets and financial liabilities of the Group and Company at the balance sheet date approximated their fair values, except as set out below:

	2009		2008	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group and Company				
Amount due from a jointly controlled entity (non-current portion)	171,885	162,370	-	-
Amount due from an associate (non-current portion)	253,037	240,988	-	-
Borrowings (non-current portion)	7,067,696	5,459,275	6,067,625	4,410,843
Hire-purchase payables (non-current portion)	16	15	72	69

36 FAIR VALUES OF FINANCIAL INSTRUMENTS FOR DISCLOSURE PURPOSES (CONTINUED)

Derivative financial instruments

The fair value of derivative financial instruments as at the balance sheet date is as follows:

(a) Fuel derivative contracts

Group and Company	Maturity period	Barrels	Fair value RM'000
2009			
Fuel option contracts	1.1.2010 – 30.6.2010	750,000	71
Fuel swap contracts	1.1.2010 – 31.3.2010	150,000	1,877
2008			
Fuel option contracts	1.1.2009 – 30.6.2010	11,430,000	(37,669)

(b) Other derivatives

	2009		2008	
	Notional amount RM'000 equivalent	Fair value RM'000	Notional amount RM'000 equivalent	Fair value RM'000
Interest rate caps	768,188	14,370	-	-
Interest rate swaps	3,409,159	(275,923)	5,205,199	(844,786)
Cross currency interest rate swaps	213,413	12,918	245,939	(6,419)
Foreign currency forward contracts	4,467,600	81,990	4,719,010	(78,953)

The fair value of interest rate caps and interest rate swaps are calculated as the present value of the estimated future cash flows discounted at prevailing rates. The fair value of foreign exchange forward and fuel option contracts are determined using forward exchange rates or prices based on the relevant forward price curve on the balance sheet date. In assessing the fair value of the derivatives and financial instruments, the Group makes assumptions that are based on market conditions existing at each balance sheet date. These instruments are not recognised in the financial statements on inception. However, any gain or loss arising from each underlying transaction or settlement of the relevant contracts governing those underlying transactions or settlements are measured and recognised in the financial statements based on the current market rates at that date.

37 RECLASSIFICATION

Certain comparative figures have been reclassified to conform with the current year's presentation for purposes of fairer presentation, as follows:

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Income statements for the year ended 31.12.2008			
Group			
Revenue	2,634,688	220,282	2,854,970
Other income	301,827	(220,282)	81,545
Company			
Revenue	2,635,977	179,285	2,815,262
Other income	260,830	(179,285)	81,545

The reclassification is in respect of aircraft operating lease income and income from tour operations (both inbound and outbound) and travel agency services which were previously included within other income, and which have now been included within revenue, as it better reflects the Group's operations.

Balance sheets as at 31.12.2008

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Group			
Assets			
Non-current			
Receivables and prepayment	103,341	(79,083)	24,258
Current			
Receivables and prepayment	694,432	(5,051)	689,381
Liabilities			
Non-current			
Borrowings	6,146,708	(79,083)	6,067,625
Current			
Borrowings	543,985	(5,051)	538,934

37 RECLASSIFICATION (CONTINUED)

Company	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Assets			
Non-current			
Receivables and prepayment	103,341	(79,083)	24,258
Current			
Receivables and prepayment	692,527	(5,051)	687,476
Liabilities			
Non-current			
Borrowings	6,146,708	(79,083)	6,067,625
Current			
Borrowings	543,985	(5,051)	538,934

The reclassification is in respect of premiums paid for certain loans which were previously included within receivables and prepayments, and which have now been included within borrowings, as allowed under the relevant accounting standards.

38 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 APR 2010

Company No.	
284669	W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

We, Dato' 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 6 to 70 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 2009 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 FRSs, the MASB approved accounting standards in Malaysia for Entities Other than Private Entities.

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

30 APR 2010

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

I, Rozman Bin Omar, the Officer primarily responsible for the financial management of AirAsia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 70 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Rozman Bin Omar

Subscribed and solemnly declared by the abovenamed Rozman Bin Omar at Petaling Jaya in Malaysia on 30 APR 2010 before me.

PESURUHJAYA SUMPAH
B 299
K. CHERIAN ABRAHAM
MALAYSIA

COMMISSIONER FOR OATHS

1-5, Block F1, Jalan PJU 1/42,
Dataran Prima, 47301 Petaling Jaya
Selangor Darul Ehsan

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
(AF 1146)
Chartered Accountants
Level 10, 1 Sentral, Jalan Travers
Kuala Lumpur Sentral
P O Box 10192
50706 Kuala Lumpur, Malaysia
Telephone +60 (3) 2173 1188
Facsimile +60 (3) 2173 1288
www.pwc.com

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, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements 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 pages 6 to 70.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with MASB approved accounting standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 2009 and of their financial performance and cash flows for the financial year then ended.

PRICEWATERHOUSECOOPERS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRASIA BERHAD (CONTINUED)
(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 12 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 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

SRIDHARAN NAIR
(No. 2656/05/10 (J))
Chartered Accountant

Kuala Lumpur
30 APR 2010