Company No.

284669	W

AIRASIA BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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Company No.	
284669	W

AIRASIA BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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Company No.

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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 of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	541,280	72,609

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2014, - a first and final single-tier dividend of 3 sen per ordinary share each on 2,782,974,080 ordinary shares of RM0.10 each, paid on 2 July 2015	83,489

The Directors now recommend a first and final single-tier dividend in respect of the financial year ended 31 December 2015 of 4 sen per share on 2,782,974,080 ordinary shares of RM0.10 each amounting to RM111,318,963, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

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

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AIRASIA BERHAD
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DIRECTORS' REPORT (CONTINUED)

SHARE CAPITAL AND DEBENTURES

There was no issuance of shares and debentures during the financial year.

DIRECTORS

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

Datuk Kamarudin Bin Meranun	
Tan Sri Dr. Anthony Francis Fernandes	
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	
Dato' Fam Lee Ee	
Aireen Omar	
Amit Bhatia	
Stuart L Dean	Appointed on 15 June 2015
Dato' Sri Gnanaraja A/L M. Gnanasundram	Appointed on 21 December 2015
Dato' Mohamed Khadar Bin Merican	Appointed on 16 February 2016
Robert Aaron Milton	Resigned on 3 June 2015
Uthaya Kumar A/L K Vivekananda	Resigned on 4 January 2016

DIRECTORS' BENEFITS

During and at the end of the financial year ended 31 December 2015, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 2 and Note 32 to the financial statements.

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM0.10 each			
	At 1.1.2015	Acquired	(Disposed)	At 31.12.2015
Direct interests in the Company				
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	95,000**	10,000	(105,000)	-
Tan Sri Dr. Anthony Francis Fernandes	1,600,000***	-	-	1,600,000
Datuk Kamarudin Bin Meranun	2,000,000***	-	-	2,000,000
Robert Aaron Milton	100,000****	-	(100,000)	-
Aireen Omar	-	50,000	-	50,000
Stuart L Dean	-	40,000	-	40,000
Indirect interests				
Tan Sri Dr. Anthony Francis Fernandes *	531,212,082	-	(2,670,000)	528,542,082
Datuk Kamarudin Bin Meranun *	531,212,082	-	(2,670,000)	528,542,082

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

** Shares held under CIMSEC Nominees (Tempatan) Sdn Bhd

*** Shares held under CIMB Group Nominees (Tempatan) Sdn Bhd

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

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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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 other than as disclosed in the Income Statements and Note 3 to the financial statements; 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 31 March 2016.

DATUK KAMARUDIN BIN MERANUN
DIRECTOR

AIREEN OMAR
DIRECTOR

Company No.

284669	W

AIRASIA BERHAD
(Incorporated in Malaysia)

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A GENERAL INFORMATION

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

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

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

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

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

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 31 March 2016.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) <u>Basis of preparation</u>

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

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

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2015:

- Annual Improvements to MFRSs 2010 – 2012 Cycle
- Annual Improvements to MFRSs 2011 – 2013 Cycle
- Amendments to MFRS 119 "Defined Benefit Plans: Employees Contributions"

The adoption of these amendments did not have any impact on the current or any prior year and are not likely to affect future periods.

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2016. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Amendment to MFRS 11 'Joint arrangements' (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 'Business Combination' when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

- Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation of an item of property, plant and equipment is not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

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

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

  MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

  Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

(d) Basis of consolidation

(i) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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

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

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

(ii) Joint arrangements

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

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

(ii) Joint arrangements (continued)

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

(iii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted using the equity method of accounting together with any long-term interests that, in substance, form part of the Group's net investment in the associate. In this regard, a receivable for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the Group's investment in that associate. This does not include receivable for which adequate collateral exists. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

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

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

(iii) Associates (continued)

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

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

(e) Property, plant and equipment

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

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

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

The useful lives for this purpose are as follows:

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

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

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

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

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 2015, the estimated residual value for aircraft airframes and engines is 10% of their cost (2014: 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.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

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

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

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

(f) Intangible assets

(i) Research and development – internally developed software

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent period.

Capitalised development costs recognised as intangible assets are amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(ii) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at operating segment level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(g) Investments in subsidiaries, joint ventures and associates

In the Company's separate financial statements, investments in subsidiaries, joint ventures and associates are stated at cost less accumulated impairment losses.

Amounts due from associates of which the Company does not expect repayment in the foreseeable future are treated as part of the parent's net investment in associates. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see Note B(h)). On disposal of investments in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of non-financial assets

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

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

(i) Maintenance and overhaul

Owned aircraft

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

Leased aircraft

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

(j) Leases

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

Lessee

Finance leases

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases (continued)

Lessee (continued)

Finance leases (continued)

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

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

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

Operating leases

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

Sale and leaseback transactions

When a sale and leaseback results in a finance lease, any gain on the sale is deferred and recognised as income over the lease term. Any loss on the sale is immediately recognised as an impairment loss when the sale occurs.

If the leaseback is classified as an operating lease, then any gain is recognised immediately if the sale and leaseback terms are demonstrably at fair value. Otherwise, the sale and leaseback are accounted for as follows:

If the sale price is below fair value then the gain or loss is recognised immediately other than to the extent that a loss is compensated for by future rentals at below-market price, then the loss is deferred and amortised over the period that the asset is expected to be used.

If the sale price is above fair value, then any gain is deferred and amortised over the useful life of the asset.

If the fair value of the asset is less than the carrying amount of the asset at the date of the transaction, then that difference is recognised immediately as a loss on the sale.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases (continued)

Lessor

Operating leases

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

(k) Inventories

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

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

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

(l) Financial assets

(i) Classification

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial assets (continued)

(i) Classification (continued)

Available-for-sale financial assets

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

(ii) Recognition and initial measurement

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

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

(iii) Subsequent measurement – gains and losses

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

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

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

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial assets (continued)

(iv) Subsequent measurement – Impairment of financial assets

Assets carried at amortised cost

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

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

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

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

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial assets (continued)

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

Assets carried at amortised cost (continued)

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

Assets classified as available-for-sale

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

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

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

(v) De-recognition

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

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

(m) Offsetting financial instruments

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

(n) Derivative financial instruments and hedging activities

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 18 to the financial statements. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'finance income/(costs)' and 'foreign exchange losses' (Note 5).

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

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'finance income/(costs)' and 'foreign exchange losses' (Note 5).

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Trade receivables

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

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

(p) Cash and cash equivalents

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

(q) Provisions

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

(r) Share capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity.

(ii) Share issue costs

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

(iii) Dividends distribution

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

(s) Borrowings and borrowing costs

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Borrowings and borrowing costs (continued)

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

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

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

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

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

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

(t) Current and deferred income tax

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

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

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

Deferred tax is provided 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. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Current and deferred income tax (continued)

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

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

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the parent, investor or joint venturer and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the investor or joint venture is unable to control the reversal of the temporary difference for associates or joint ventures. Only where there is an agreement in place that gives the investor or joint venturer the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

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

(u) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution retirement plan

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue and other income

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

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

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

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

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

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

(w) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Foreign currencies (continued)

(ii) Transactions and balances (continued)

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

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

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

(iii) Group companies

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

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Foreign currencies (continued)

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

(x) Trade payables

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

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

(y) Contingent assets and liabilities

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

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.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Contingent liabilities (continued)

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

(z) Segment reporting

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

C CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives and residual values of aircraft airframes and engines as disclosed in Note B(e), would increase the recorded depreciation charge and decrease the carrying amount of property, plant and equipment. A reduction in 5% in the residual value of aircraft airframes and engines would increase the depreciation charge for the financial year ended 31 December 2015 by RM23,400,000 and RM20,921,000 and decrease the carrying amount of property, plant and equipment as at 31 December 2015 by RM76,000,000 and RM65,000,000 for the Group and Company respectively.

C CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(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 regulatory approvals for prospective routes, aircraft delivery, 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.

(iii) Impairment of investment in associates and amounts due from associates

Management reviews the investment in associates and amounts due from associates with reference to any evidence of impairment. This evidence may include observable data indicating that there has been an adverse change in working capital of the associates and the local economic conditions that correlate with the potential risk of impairment on the transactions. Impairment assessment is performed on the investment in associates and amounts due from associates whenever events or changes in circumstance indicate indicator of impairment. This impairment assessment exercise requires significant judgment in estimating the valuation by the associates, which involved uncertainties and are significantly affected by assumptions used and judgment made regarding estimates of equity value in respect of fares, load factor, fuel price, maintenance costs and currency movements.

(iv) Sales and leaseback

Judgement is required in the initial classification of leases as either operating leases or finance leases and, in respect of finance leases, determining the appropriate discount rate implicit in the lease to discount minimum lease payments. The Group had accounted for the aircraft under the sale and leaseback arrangements as "operating lease" as the Group operates, but does not own, these aircraft. The Group has no right or obligation to acquire these aircraft at the end of the relevant lease terms. The present value of the minimum lease payments determined at the inception of the lease was not substantially all of the aircraft's fair value and the lease term under the arrangement is not a major part of the economic life of the aircraft.

Company No.

284669	W

AIRASIA BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Revenue	1(a)	6,297,658	5,415,744	6,001,933	5,415,744
Other income	1(b)	257,975	178,029	212,153	156,338
Operating expenses					
- Staff costs	2	(759,420)	(667,277)	(732,935)	(642,222)
- Depreciation of property, plant and equipment	8	(703,245)	(719,497)	(691,853)	(718,202)
- Aircraft fuel expenses		(2,000,650)	(2,254,237)	(2,000,650)	(2,254,237)
- Maintenance and overhaul		(196,883)	(149,411)	(196,637)	(149,411)
- User charges	4	(685,013)	(545,279)	(684,342)	(545,279)
- Aircraft operating lease expenses		(330,790)	(198,280)	(102,232)	(198,280)
- Other operating expenses	3	157,012	(233,760)	(695,277)	(260,909)
Operating profit		2,036,644	826,032	1,110,160	803,542
Finance income	5	154,148	121,869	127,004	121,836
Finance costs	5	(724,035)	(533,967)	(713,196)	(533,905)
Net operating profit		1,466,757	413,934	523,968	391,473
Foreign exchange losses on borrowings	5	(1,373,817)	(609,085)	(1,379,038)	(609,087)
Foreign exchange gains on amounts due from associates and joint ventures		601,708	190,293	601,708	190,293
Gain on disposal of interest in a joint venture	11	320,500	-	-	-
Share of results of joint ventures	10	25,492	57,266	-	-
Share of results of associates	11	(825,490)	(29,707)	-	-
Profit/(loss) before taxation		215,150	22,701	(253,362)	(27,321)
Taxation					
- Current taxation	6	(35,852)	(25,638)	(35,838)	(25,638)
- Deferred taxation	6	361,982	85,773	361,809	85,773
		326,130	60,135	325,971	60,135
Net profit for the financial year		541,280	82,836	72,609	32,814

Company No.

284669	W

AIRASIA BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

	Note	Group 2015 RM'000	Group 2014 RM'000
Net profit for the financial year attributable to:			
- Owners of the Company		541,194	82,836
- Non-controlling interests		86	-
		541,280	82,836
Earnings per share attributable to owners of the Company (sen)			
- Basic	7	19.4	3.0
- Diluted	7	19.4	3.0

Company No.

284669	W

AIRASIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Net profit for the financial year		541,280	82,836	72,609	32,814
Other comprehensive (loss)/ income					
Items that may be subsequently reclassified to profit or loss					
Available-for-sale investments					
- Net change in fair values	12	(203,504)	(132,396)	(203,504)	(132,396)
- Transfer to profit or loss on disposal		-	(42,077)	-	(42,077)
Cash flow hedges		(335,664)	(222,239)	(335,664)	(222,239)
Share of other comprehensive income of an associate		(31,430)	(30,700)	-	-
Foreign currency translation differences		10,130	7,963	-	-
Other comprehensive loss for the financial year, net of tax		(560,468)	(419,449)	(539,168)	(396,712)
Total comprehensive loss for the financial year		(19,188)	(336,613)	(466,559)	(363,898)
Total comprehensive (loss)/income attributable to:					
- Owners of the Company		(19,274)	(336,613)		
- Non-controlling interests		86	-		
		(19,188)	(336,613)		

Company No.

284669	W

AIRASIA BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	8	10,927,645	12,533,535	9,805,655	12,527,171
Investment in subsidiaries	9	-	-	64,860	23,480
Investment in joint ventures	10	164,024	191,620	81,559	81,559
Investment in associates	11	1,020,640	230,454	712,398	3,760
Available-for-sale financial assets	12	235,097	384,790	235,097	384,790
Intangible assets	13	19,184	7,334	-	-
Deferred tax assets	14	828,950	466,968	828,777	466,968
Receivables and prepayments	15	1,412,242	1,132,504	1,385,308	1,113,924
Deposits on aircraft purchase	16	334,487	500,321	334,487	500,321
Amounts due from associates	17	1,142,119	2,301,528	1,034,869	2,213,755
Derivative financial instruments	18	945,490	381,686	945,490	381,686
		17,029,878	18,130,740	15,428,500	17,697,414
CURRENT ASSETS					
Inventories	19	26,152	18,152	26,152	18,152
Receivables and prepayments	15	617,422	682,909	536,340	638,026
Deposits on aircraft purchase	16	348,820	-	348,820	-
Derivative financial instruments	18	419,112	286,298	419,112	286,298
Amounts due from subsidiaries	20	-	-	406,225	173,953
Amounts due from joint ventures	21	5,708	51,188	5,708	34,432
Amounts due from associates	17	394,970	153,803	297,976	148,907
Amounts due from related parties	20	43,851	3,179	15,787	3,144
Tax recoverable		3,648	-	3,338	-
Deposits, cash and bank balances	22	2,426,696	1,337,849	2,262,641	1,319,085
		4,286,379	2,533,378	4,322,099	2,621,997

Company No.

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AIRASIA BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2015 (CONTINUED)

	Note	Group		Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
LESS: CURRENT LIABILITIES					
Trade and other payables	23	1,634,057	773,128	1,523,359	781,578
Sales in advance		664,251	502,810	662,330	501,962
Amounts due to subsidiaries	24	-	-	341,216	-
Amounts due to associates	17	-	55,110	-	55,110
Amounts due to related parties	24	13,661	24,693	13,661	24,693
Borrowings	25	2,377,256	2,274,928	2,251,537	2,274,928
Derivative financial instruments	18	582,491	472,204	582,491	472,204
Current tax liabilities		-	9,380	-	9,712
		5,271,716	4,112,253	5,374,594	4,120,187
NET CURRENT LIABILITIES		(985,337)	(1,578,875)	(1,052,495)	(1,498,190)
NON-CURRENT LIABILITIES					
Trade and other payables	23	1,043,994	1,212,044	1,013,936	1,212,044
Borrowings	25	10,235,579	10,453,090	9,431,567	10,453,090
Derivative financial instruments	18	237,898	248,095	237,898	248,095
Amounts due to associates	17	76,216	83,545	21,622	64,965
		11,593,687	11,996,774	10,705,023	11,978,194
		4,450,854	4,555,091	3,670,982	4,221,030
CAPITAL AND RESERVES					
Share capital	26	278,297	278,297	278,297	278,297
Share premium		1,230,941	1,230,941	1,230,941	1,230,941
Foreign exchange reserve		18,948	8,818	-	-
Retained earnings	27(a)	3,355,740	2,898,035	2,531,212	2,542,092
Other reserves	27(b)	(431,598)	139,000	(369,468)	169,700
		4,452,328	4,555,091	3,670,982	4,221,030
Non-controlling interests		(1,474)	-	-	-
Total equity		4,450,854	4,555,091	3,670,982	4,221,030

AIRASIA BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Attributable to owners of the Company									
		Issued and fully paid ordinary shares of RM0.10 each									
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	Available-for-sale reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2015		2,782,974	278,297	1,230,941	8,818	(172,874)	311,874	2,898,035	4,555,091	-	4,555,091
Net profit for the financial year		-	-	-	-	-	-	541,194	541,194	86	541,280
Other comprehensive income /(loss)		-	-	-	10,130	(367,094)	(203,504)	-	(560,468)	-	(560,468)
Total comprehensive income /(loss)		-	-	-	10,130	(367,094)	(203,504)	541,194	(19,274)	86	(19,188)
Transactions with owners:											
Dividends	28	-	-	-	-	-	-	(83,489)	(83,489)	-	(83,489)
Non-controlling interest arising from business combination	9	-	-	-	-	-	-	-	-	(1,560)	(1,560)
At 31 December 2015		2,782,974	278,297	1,230,941	18,948	(539,968)	108,370	3,355,740	4,452,328	(1,474)	4,450,854

AIRASIA BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

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

AIRASIA BERHAD
(Incorporated in Malaysia)

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Issued and fully paid ordinary shares of RM0.10 each		Non-distributable			Distributable	
	Note	Number of shares '000	Nominal value RM'000	Cash flow hedge reserve RM'000	Available-for-sale reserve RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2015		2,782,974	278,297	(142,174)	311,874	1,230,941	2,542,092	4,221,030
Net profit for the financial year		-	-	-	-	-	72,609	72,609
Other comprehensive loss		-	-	(335,664)	(203,504)	-	-	(539,168)
Total comprehensive (loss)/income		-	-	(335,664)	(203,504)	-	72,609	(466,559)
Transactions with owners:								
Dividends	28	-	-	-	-	-	(83,489)	(83,489)
At 31 December 2015		2,782,974	278,297	(477,838)	108,370	1,230,941	2,531,212	3,670,982

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AIRASIA BERHAD
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COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

		Issued and fully paid ordinary shares of RM0.10 each		Non-distributable			Distributable	
	Note	Number of shares '000	Nominal value RM'000	Cash flow hedge reserve RM'000	Available-for-sale reserve RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2014		2,781,064	278,106	80,065	486,347	1,229,068	2,620,570	4,694,156
Net profit for the financial year		-	-	-	-	-	32,814	32,814
Other comprehensive loss		-	-	(222,239)	(174,473)	-	-	(396,712)
Total comprehensive (loss)/income		-	-	(222,239)	(174,473)	-	32,814	(363,898)
Transactions with owners:								
Dividends	28	-	-	-	-	-	(111,292)	(111,292)
Issuance of shares - pursuant to the Employee Share Option Scheme	26	1,910	191	-	-	1,873	-	2,064
At 31 December 2014		2,782,974	278,297	(142,174)	311,874	1,230,941	2,542,092	4,221,030

Company No.

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AIRASIA BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	215,150	22,701	(253,362)	(27,321)
Adjustments:				
Property, plant and equipment				
- Depreciation	703,245	719,497	691,853	718,202
- (Gain)/loss on disposals	(19,654)	4,690	(19,656)	4,690
Amortisation of intangible assets	24	-	-	-
Gain on disposal of available-for-sale financial assets	-	(42,077)	-	(42,077)
Impairment of property, plant and equipment	13,281	-	-	-
Impairment on available-for sale financial assets	-	10,125	-	-
Impairment of trade and other receivables	17,523	30,651	17,523	24,853
Write-off of amount due from related party	5,247	-	5,247	-
Impairment of amount due from a subsidiary	-	-	-	14,984
Impairment of investment in associates	-	-	875,653	-
Fair value gain on derivative financial instruments	(937,678)	(212,398)	(937,678)	(212,398)
Share of results of joint ventures	(25,492)	(57,266)	-	-
Share of results of associates	825,490	29,707	-	-
Gain on disposal of interest in a joint venture	(320,500)	-	-	-
Net unrealised foreign exchange loss	1,268,394	639,614	1,265,653	640,586
Dividend income from:				
- available-for-sale financial assets	(4,145)	(4,697)	(4,145)	(4,697)
- an associate	(48,064)	-	-	-
Interest expense	724,035	533,967	713,196	533,905
Interest income	(154,148)	(121,869)	(127,004)	(121,836)
	2,262,708	1,552,645	2,227,280	1,528,891
Changes in working capital:				
Inventories	(8,000)	11,368	(8,000)	11,368
Receivables and prepayments	(114,875)	(258,466)	(200,232)	(208,156)
Trade and other payables	782,652	101,432	676,787	187,931
Intercompany balances	(177,536)	(725,677)	(76,484)	(813,667)
Cash generated from operations	2,744,949	681,302	2,619,351	706,367
Interest paid	(658,177)	(470,613)	(647,338)	(470,551)
Interest received	148,280	106,576	121,135	106,543
Tax paid	(31,114)	(15,234)	(31,114)	(15,234)
Net cash from operating activities	2,203,938	302,031	2,062,034	327,125

Company No.

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AIRASIA BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Property, plant and equipment				
- Additions	(613,913)	(2,084,641)	(580,489)	(2,081,254)
- Proceeds from disposals	227,881	119,745	227,881	119,362
Repayment of advances by an associate	71,423	80,937	71,423	80,937
Proceeds from disposal of available-for-sale financial assets	-	44,584	-	44,584
Additional investment in available-for-sale financial assets	(53,811)	-	(53,811)	-
Proceeds from disposal of interest in a joint venture	347,044	-	347,044	-
Dividend received from:				
- an available-for-sale financial assets	4,145	4,697	4,145	4,697
- an associate	48,064	-	-	-
Acquisition of subsidiaries	(30,810)	-	(17,236)	-
Subscription of shares in associates	(78,695)	(30,378)	-	(3,731)
Additional subscription of shares in subsidiaries	(24,144)	-	(24,144)	-
Advances granted to associate	-	(431,258)	-	(431,258)
Refund of deposits on aircraft purchase	-	142,073	-	142,073
Net cash used in investing activities	(102,816)	(2,154,241)	(25,187)	(2,124,590)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from allotment of shares	-	2,064	-	2,064
Proceeds from borrowings	1,458,223	3,129,496	500,161	3,129,496
Repayment of borrowings	(2,677,406)	(1,241,080)	(1,800,203)	(1,241,080)
Dividends paid	(83,489)	(111,292)	(83,489)	(111,292)
Net cash (used in)/generated from financing activities	(1,302,672)	1,779,188	(1,383,531)	1,779,188

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AIRASIA BERHAD
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CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
NET INCREASE/(DECREASE) FOR THE FINANCIAL YEAR	798,450	(73,022)	653,316	(18,277)
CURRENCY TRANSLATION DIFFERENCES	290,397	30,436	290,240	30,436
DEPOSITS, CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL YEAR	1,337,849	1,380,435	1,319,085	1,306,926
DEPOSITS, CASH AND BANK BALANCES AT END OF THE FINANCIAL YEAR	2,426,696	1,337,849	2,262,641	1,319,085

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits, cash and bank balances (Note 22)	2,426,696	1,337,849	2,262,641	1,319,085
Less: Deposits pledged as securities	(710,986)	(569,471)	(710,986)	(569,471)
Cash and cash equivalents	1,715,710	768,378	1,551,655	749,614

The deposits with licensed banks of the Group and the Company amounting to RM710,986,000 (2014: Group and Company RM569,471,000) are pledged as securities for banking facilities granted to the Group and Company (Note 25).

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AIRASIA BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

SIGNIFICANT NON-CASH TRANSACTIONS

(a) On 29 September 2015, the Company subscribed to 49% of perpetual capital security issued by an associate amounting to IDR2,058 billion (RM625 million) as disclosed in Note 11 to the financial statements. The investment in perpetual capital security was satisfied via capitalisation of amounts due from associate.

(b) Disposal of property, plant and equipment to a subsidiary

	Company	
	2015 RM'000	2014 RM'000
Proceeds from disposal of property, plant and equipment to a subsidiary	1,105,736	-
Settlement of borrowings and related finance cost by lessor on behalf of the Company	(184,439)	-
Borrowings transferred to subsidiary	(689,172)	-
Amounts due from a subsidiary	(232,125)	-
Net cash proceeds received from disposal of property, plant and equipment to a subsidiary	-	-

(c) Disposal of property, plant and equipment pursuant to the sales and leaseback arrangement

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Carrying amount of property, plant and equipment disposed	1,499,941	-	1,499,941	-
Gain on disposal of property, plant and equipment	27,361	-	27,361	-
Total proceeds from disposal of property, plant and equipment	1,527,302	-	1,527,302	-
Security deposit paid to lessor	(34,506)	-	(34,506)	-
Settlement of borrowings and related finance cost by lessor on behalf of the Company	(1,264,915)	-	(1,264,915)	-
Net cash proceeds received from disposal of property, plant and equipment	227,881	-	227,881	-

Company No.

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AIRASIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2015

1 REVENUE AND OTHER INCOME

(a) Revenue

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Passenger seat sales	3,648,913	2,989,268	3,648,913	2,989,268
Baggage fees	491,787	456,039	491,787	456,039
Aircraft operating lease income	1,423,122	793,020	1,127,397	793,020
Surcharges and fees	180,171	677,241	180,171	677,241
Other revenue	553,665	500,176	553,665	500,176
	6,297,658	5,415,744	6,001,933	5,415,744

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

(b) Other income

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Gain/(loss) on disposals of property, plant and equipment	19,654	(4,690)	19,656	(4,690)
Gain on disposal of available-for-sale financial assets	-	42,077	-	42,077
Fees charged to associates providing commercial air transport services	68,770	61,108	68,770	61,108
Others	169,551	79,534	123,727	57,843
	257,975	178,029	212,153	156,338

Other income ('others') includes commission income, advertising income and fees charged to related parties providing commercial air transport services.

2 STAFF COSTS

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Salaries, bonus, allowances and other employee's benefit	686,917	608,555	662,710	586,420
Defined contribution retirement plan	72,503	58,722	70,225	55,802
	759,420	667,277	732,935	642,222

2 STAFF COSTS (CONTINUED)

Included in staff costs are Executive Directors' remuneration. The Executive Directors' and Non-Executive Directors' remuneration are as follows:

	Group and Company	
	2015	2014
	RM'000	RM'000
Executive Directors		
- salaries, bonus and allowances	12,220	8,531
- defined contribution plan	1,466	1,023
	13,686	9,554
Non-Executive Directors		
- fees	1,246	1,078
	14,932	10,632

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

	Executive		Non-executive	
	2015	2014	2015	2014
Range of remuneration				
Below RM150,000	-	-	3	3
RM150,001 to RM200,000	-	-	1	2
RM200,001 to RM250,000	-	-	-	2
RM250,001 to RM300,000	-	-	2	-
RM300,001 to RM350,000	-	-	1	-
RM1,000,001 to RM2,000,000	-	1	-	-
RM2,000,001 to RM3,000,000	1	-	-	-
RM3,000,001 to RM4,000,000	-	1	-	-
RM4,000,001 to RM5,000,000	1	1	-	-
RM5,000,001 to RM6,000,000	-	-	-	-
RM6,000,001 to RM7,000,000	1	-	-	-

3 OTHER OPERATING EXPENSES

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Impairment of:				
- Amount due from a subsidiary (Note 20)	-	-	-	14,984
- Investment in associates (Note 11)	-	-	875,653	-
- Available for sale financial assets (Note 12)	-	10,125	-	-
- Property, plant and equipment (Note 8)	13,281	-	-	-
- Trade and other receivables (Note 15)	17,523	30,651	17,523	24,853
Write off of amount due from related party	5,247	-	5,247	-
Rental of land and building	18,126	3,529	16,987	3,529
Auditors' remuneration				
- audit fees				
(i) PricewaterhouseCoopers Malaysia	887	800	776	758
(ii) Others	40	-	-	-
- non-audit fees				
(i) PricewaterhouseCoopers Malaysia	642	1,230	642	1,230
Rental of equipment	1,001	1,791	935	1,791
Advertising costs	52,131	62,929	52,131	62,929
Net foreign exchange (gains)/losses from operations				
- Realised	(14,794)	18,922	(14,794)	18,922
- Unrealised	(425,976)	(28,164)	(425,976)	(28,164)

4 USER CHARGES

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

5 FINANCE INCOME/(COSTS) AND FOREIGN EXCHANGE LOSSES ON BORROWINGS

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(a) Finance income				
Interest income from:				
- deposits with licensed banks	28,058	17,889	28,058	17,889
- amounts due from associates	66,462	88,867	66,462	88,867
Gain from interest rate contracts	3,605	6,824	3,605	6,824
Discounting on deposits	38,091	-	10,982	-
Discounting on non-current payables	13,384	-	13,384	-
Others	4,548	8,289	4,513	8,256
	154,148	121,869	127,004	121,836
(b) Finance costs				
Interest expense				
- bank borrowings	(679,500)	(522,921)	(677,878)	(522,921)
Amortisation of premiums for interest rate caps	(9,090)	(8,192)	(9,090)	(8,192)
Discounting and accretion of interest on deposits	(25,527)	-	(16,742)	-
Bank facilities and other charges	(9,918)	(2,854)	(9,486)	(2,792)
	(724,035)	(533,967)	(713,196)	(533,905)
(c) Foreign exchange losses on borrowings				
Borrowings:				
- realised	1,414	(5,339)	(3,203)	(5,339)
- unrealised	(2,292,733)	(707,031)	(2,293,337)	(707,033)
- fair value movement recycled from cash flow hedge reserve	820,766	175,256	820,766	175,256
Gain/(loss) from forward foreign exchange contracts and others	96,736	(71,971)	96,736	(71,971)
	(1,373,817)	(609,085)	(1,379,038)	(609,087)

During the financial year, the Group has hedged the foreign currency spot translation on the lease income for the aircraft that were sub-leased on operating lease basis to its associates companies against the foreign currency spot translation on the aircraft borrowing repayment. This is to hedge the foreign currency risk arising from operating lease income that the Group is exposed to. Gains and losses recognised in the hedging reserve in equity as of 31 December 2015 will be continuously released to the income statement within foreign exchange gains/(losses) on borrowings.

6 TAXATION

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current taxation	35,852	25,638	35,838	25,638
Deferred taxation (Note 14)	(361,982)	(85,773)	(361,809)	(85,773)
	(326,130)	(60,135)	(325,971)	(60,135)
Current taxation				
- Current financial year	35,852	25,638	35,838	25,638
Deferred taxation				
- Origination and reversal of temporary differences	(308,539)	80,109	(308,366)	80,109
- Tax incentives	(53,443)	(165,882)	(53,443)	(165,882)
	(361,982)	(85,773)	(361,809)	(85,773)
	(326,130)	(60,135)	(325,971)	(60,135)

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

6 TAXATION (CONTINUED)

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit/(loss) before taxation	215,150	22,701	(253,362)	(27,321)
Tax calculated at Malaysian tax rate of 25 % (2014: 25%)	53,788	5,675	(63,341)	(6,830)
Tax effects of:				
- expenses not deductible for tax purposes	333,249	147,803	334,279	147,803
- income not subject to tax	(317,294)	(24,786)	(1,036)	(19,171)
- associates' results reported net of tax	206,373	7,427	-	-
- joint ventures' results reported net of tax	(6,373)	(14,317)	-	-
- tax incentives	2,599	(165,882)	2,599	(165,882)
- non-recurring tax benefit	(598,472)	-	(598,472)	-
- change in statutory tax rate	-	(16,055)	-	(16,055)
Taxation	(326,130)	(60,135)	(325,971)	(60,135)

7 EARNINGS PER SHARE

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

	Group	
	2015	2014
Net profit for the financial year attributable to owners of the Company (RM'000)	541,194	82,836
Weighted average number of ordinary shares in issue ('000)	2,782,974	2,782,245
Basic and diluted earnings per share (sen)	19.4	3.0

The Group does not have in issue any financial instruments on other contracts that may entitle its holder to ordinary shares and therefore, dilutive to its basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

8 PROPERTY, PLANT AND EQUIPMENT

Group	At 1 January 2015 RM'000	Additions RM'000	Acquisition of subsidiaries RM'000	Disposals RM'000	Depreciation charge RM'000	Impairment loss RM'000	At 31 December 2015 RM'000
Carrying amount							
Aircraft engines, airframe and service potential	12,291,382	452,030	-	(1,495,339)	(650,571)	-	10,597,502
Aircraft spares	122,752	25,122	-	(8,986)	(15,544)	-	123,344
Aircraft fixtures and fittings	43,196	24,285	-	-	(12,907)	-	54,574
Buildings	1,655	-	-	-	(42)	-	1,613
Motor vehicles	7,582	450	-	-	(2,300)	-	5,732
Office equipment, furniture and fittings	25,137	43,542	888	(163)	(13,962)	(13,281)	42,161
Office renovation	6,508	398	323	-	(2,553)	-	4,676
Simulator equipment	1,089	-	-	-	(38)	-	1,051
Operating plant and ground equipment	12,462	6,198	-	-	(4,865)	-	13,795
In-flight equipment	384	-	-	-	(184)	-	200
Training equipment	135	169	-	-	(279)	-	25
Work in progress	21,253	61,719*	-	-	-	-	82,972
	12,533,535	613,913	1,211	(1,504,488)	(703,245)	(13,281)	10,927,645

*Included work in progress completed during the financial year amounting to RM4.4million which were reclassified to respective asset classes.

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount RM'000
Group				
At 31 December 2015				
Aircraft engines, airframe and service potential	13,965,974	(3,368,472)	-	10,597,502
Aircraft spares	266,993	(143,649)	-	123,344
Aircraft fixtures and fittings	144,676	(90,102)	-	54,574
Buildings	2,114	(501)	-	1,613
Motor vehicles	26,941	(21,209)	-	5,732
Office equipment, furniture and fittings	124,956	(69,514)	(13,281)	42,161
Office renovation	23,754	(19,078)	-	4,676
Simulator equipment	4,967	(3,916)	-	1,051
Operating plant and ground equipment	50,777	(36,982)	-	13,795
In-flight equipment	1,696	(1,496)	-	200
Training equipment	4,588	(4,563)	-	25
Work in progress	82,972	-	-	82,972
	14,700,408	(3,759,482)	(13,281)	10,927,645

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	At 1 January 2015 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2015 RM'000
Carrying amount					
Aircraft engines, airframe and service Potential	12,291,382	452,030	(2,601,076)	(644,738)	9,497,598
Aircraft spares	122,752	25,122	(8,986)	(15,544)	123,344
Aircraft fixtures and fittings	43,196	23,911	-	(12,825)	54,282
Buildings	1,655	-	-	(42)	1,613
Motor vehicles	7,582	450	-	(2,300)	5,732
Office equipment, furniture and fittings	22,743	9,314	(90)	(9,123)	22,844
Office renovation	4,274	340	-	(1,915)	2,699
Simulator equipment	1,089	-	-	(38)	1,051
Operating plant and ground equipment	12,462	6,198	-	(4,865)	13,795
In-flight equipment	384	-	-	(184)	200
Training equipment	135	169	-	(279)	25
Work in progress	19,517	62,955	-	-	82,472
	12,527,171	580,489	(2,610,152)	(691,853)	9,805,655

During the financial year, the Company disposed 12 aircraft with carrying amount of RM1.1billion (2014: Nil) to its subsidiary, Asia Aviation Capital Limited for a sale consideration of RM1.1billion.

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount RM'000
Company				
At 31 December 2015				
Aircraft engines, airframe and service potential	12,402,743	(2,905,145)	-	9,497,598
Aircraft spares	266,993	(143,649)	-	123,344
Aircraft fixtures and fittings	140,516	(86,234)	-	54,282
Buildings	2,114	(501)	-	1,613
Motor vehicles	26,941	(21,209)	-	5,732
Office equipment, furniture and fittings	86,766	(63,922)	-	22,844
Office renovation	19,794	(17,095)	-	2,699
Simulator equipment	4,967	(3,916)	-	1,051
Operating plant and ground equipment	50,777	(36,982)	-	13,795
In-flight equipment	1,696	(1,496)	-	200
Training equipment	4,588	(4,563)	-	25
Work in progress	82,472	-	-	82,472
	13,090,367	(3,284,712)	-	9,805,655

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Included in property, plant and equipment of the Group and the Company are assets with the following carrying amounts:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Carrying amount of owned aircraft sub-leased to associates	3,083,383	4,674,014	2,304,378	4,674,014
Aircraft pledged as security for borrowings (Note 25)	10,597,502	12,291,382	9,497,598	12,291,382

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

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

9 INVESTMENT IN SUBSIDIARIES

	Company 2015 RM'000	Company 2014 RM'000
Unquoted investments, at cost	64,896	23,516
Less: Accumulated impairment losses	(36)	(36)
	64,860	23,480
At 1 January	23,480	23,480
Additional investment in subsidiaries	41,380	-
At 31 December	64,860	23,480

The details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Group's effective equity interest 2015 %	Group's effective equity interest 2014 %	Principal activities
Directly held by the Company				
AirAsia Investment Ltd ("AAIL")*	Malaysia	100	100	Investment holding
AirAsia Go Holiday Sdn Bhd ("AGH")	Malaysia	100	100	Tour operating business
AirAsia (Mauritius) Limited*	Mauritius	100	100	Providing aircraft leasing facilities to Thai AirAsia Co. Ltd
AirAsia Corporate Services Limited*	Malaysia	100	100	Facilitate business transactions for AirAsia Group with non-resident goods and service providers
Ground Team Red Sdn Bhd	Malaysia	100	100	Special purpose vehicle for financing arrangements required by AirAsia
Koolred Sdn Bhd	Malaysia	100	100	Investment holding
AirAsia Global Shared Services Sdn Bhd	Malaysia	100	100	To provide shared services and outsourcing for its affiliates

9 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of entity	Country of incorporation	Group's effective equity interest 2015 %	2014 %	Principal activities
Directly held by the Company				
Asia Aviation Capital Limited ("AAC")	Malaysia	100	100	Providing aircraft leasing facilities
MadCience Consulting Sdn Bhd ("MAD")* [(a)]	Malaysia	100	-	Provision of central depository services for its affiliates
TPaay Asia Sdn Bhd (formerly known as Tune Money Sdn Bhd) ("TPaay")* [(b)]	Malaysia	100	-	Provision of financial and other related services
Tune Box Sdn Bhd ("Tune Box") [(c)]	Malaysia	73	-	Trading of multimedia content and equipment
Held by AGH				
AirAsia Exp Pte. Ltd ("AAE")*	Singapore	100	100	Investment holding
Held by AAIL				
AirAsia Capital Ltd *	Malaysia	100	100	Dormant

* Not audited by PricewaterhouseCoopers, Malaysia

(a) On 11 March 2015, a wholly-owned subsidiary of the Company, MAD was incorporated in Malaysia to provide central depository services for its affiliates. The initial share capital of MAD is RM2 comprising of 2 ordinary shares of RM1.00 each.

(b) On 6 October 2015, the Company entered into a Share Sale Agreement to acquire the 81 million ordinary shares and 22 redeemable preference shares in TPaay for a cash consideration of RM6.36 million. The acquisition was completed on 6 October 2015 and TPaay effectively became a 100%-owned subsidiary of the Company. The Company previously had a 40% interest in TPaay via an acquisition in January 2015 for a cash consideration of RM10.0 million.

(c) On 3 December 2015, the Company acquired 876,000 ordinary shares of RM1.00 each, equivalent to 73% of the total issued and paid-up capital of Tune Box, for a total cash consideration of RM876,000.

9 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Details of the assets, liabilities and net cash outflow arising from the acquisition TPaay and Tune Box during the financial year are as follows:

	Fair value/ book value RM'000
Cash and bank balances	7,236
Intangible assets	1,505
Trade and other receivables	31,493
Property, plant and equipment	1,211
Trade and other payables	(41,778)
Total net assets acquired	(333)
Less : Net assets equity accounted previously	(4,360)
Non-controlling interests acquired	1,560
Goodwill on acquisition	10,369
Purchase consideration for acquisition of subsidiaries	7,236
Purchase consideration for previously held interest in a subsidiary during the financial year	10,000
Less: Cash and cash equivalents of subsidiaries acquired	(7,236)
Net cash outflow on acquisition of subsidiaries	10,000

The purchase price allocation ('PPA') exercise is still ongoing. A provisional goodwill amounting to RM10,369,000 had been recognised in the financial statements as at 31 December 2015.

The Company does not have any subsidiaries with non-controlling interests that are material to the Group. There were no transactions with non-controlling interests during the current financial year.

10 INVESTMENT IN JOINT VENTURES

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Unquoted investments, at cost	81,559	111,674	81,559	81,559
Share of post-acquisition profits	82,465	79,946	-	-
	164,024	191,620	81,559	81,559

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

Name of entity	Principal place of business/ country of incorporation	Group's effective equity interest 2015 %	Group's effective equity interest 2014 %	Principal activities
Directly held by the Company				
Asian Aviation Centre of Excellence Sdn Bhd ("AACOE")	Malaysia	50	50	Aviation training
Held by AAE				
AAE Travel Pte Ltd ("AAE Travel")	Singapore	-*	50	Online travel agency

* Reclassified as investment in associate during the year (Note 11)

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

10 INVESTMENT IN JOINT VENTURES (CONTINUED)

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

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

Summarised financial information for joint ventures

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

Summarised balance sheets

	AACOE		AAE Travel		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current						
Cash and cash equivalents	50,831	58,987	-	126,137	50,831	185,124
Other current assets	59,429	46,105	-	18,961	59,429	65,066
Total current assets	110,260	105,092	-	145,098	110,260	250,190
Financial liabilities (excluding trade payables)	(7,291)	(3,741)	-	(10,644)	(7,291)	(14,385)
Other current liabilities (including trade payables)	(25,486)	(47,658)	-	(35,333)	(25,486)	(82,991)
Total current liabilities	(32,777)	(51,399)	-	(45,977)	(32,777)	(97,376)
Non-current						
Assets	363,382	334,869	-	4,552	363,382	339,421
Liabilities	(112,817)	(108,995)	-	-	(112,817)	(108,995)
Net assets	328,048	279,567	-	103,673	328,048	383,240

10 INVESTMENT IN JOINT VENTURES (CONTINUED)

Summarised statements of comprehensive income

	AACOE		AAE Travel		Total	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	107,103	85,432	-	438,823	107,103	524,255
Depreciation and amortisation	(15,151)	(19,111)	-	(6,606)	(15,151)	(25,717)
Interest income	-	-	-	-	-	-
Interest expense	(3,977)	(4,139)	-	-	(3,977)	(4,139)
Profit before taxation	51,040	24,075	-	43,658	51,040	67,733
Tax income/(expense)	(2,559)	49,190	-	(2,391)	(2,559)	46,799
Profit after taxation and total comprehensive income	48,481	73,265	-	41,267	48,481	114,532
Dividends received from joint ventures	-	-	-	-	-	-

Reconciliations of summarised financial information

	AACOE		AAE Travel		Total	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening net assets at 1 January	279,567	206,302	-	62,406	279,567	268,708
Profit after taxation and total comprehensive income	48,481	73,265	-	41,267	48,481	114,532
Closing net assets at 31 December	328,048	279,567	-	103,673	328,048	383,240
Interest in joint ventures at 50%	164,024	139,784	-	51,837	164,024	191,620
Carrying value at 31 December	164,024	139,784	-	51,837	164,024	191,620

11 INVESTMENT IN ASSOCIATES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unquoted investments, at cost	888,201	169,434	628,774	3,760
Amounts due from associates deemed as net investment in associates	959,277	-	959,277	-
Share of post-acquisition (loss)/profit	(764,708)	91,720	-	-
Share of post-acquisition reserves	(62,130)	(30,700)	-	-
	1,020,640	230,454	1,588,051	3,760
Accumulated impairment losses	-	-	(875,653)	-
	1,020,640	230,454	712,398	3,760

The details of the associates are as follows:

Name of entity	Principal place of business/ country of incorporation	Group's effective equity interest 2015 %	Group's effective equity interest 2014 %	Principal activities
AirAsia Philippines Inc	Philippines	39.9	39.9	Providing air transportation services, currently dormant
Asian Contact Centres Sdn. Bhd.	Malaysia	50.0	50.0	Providing end-to-end solutions for customers contact management and contact centre
Think Big Digital Sdn Bhd ("BIG")	Malaysia	47.8	47.8	Financial services and managing customer loyalty points
Held by AAE				
AAE Travel Pte Ltd ("AAE Travel")	Singapore	25.0	-*	Online travel agency
Held by AAIL				
PT Indonesia AirAsia ("IAA")	Indonesia	48.9	48.9	Commercial air transport services
Thai AirAsia Co. Ltd ("TAA")	Thailand	45.0	45.0	Commercial air transport services
AirAsia Go Holiday Co. Ltd	Thailand	49.0	49.0	Tour operating business, currently dormant

11 INVESTMENT IN ASSOCIATES (CONTINUED)

Name of entity	Principal place of business/ country of incorporation	Group's effective equity interest 2015 %	2014 %	Principal activities
AirAsia Inc ("PAA")	Philippines	49.0	40.0	Commercial air transport services
AirAsia (India) Private Limited ("AAIPL")	India	49.0	49.0	Commercial air transport services
AirAsia Japan Co., Ltd ("JAA")	Japan	49.0	49.0	Commercial air transport services

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

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

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

Additional interests in associates during the financial year ended 31 December 2015

(a) On 25 February 2015, AAIL subscribed to 3,174,927 shares of common stock representing 49% of the paid-up capital in JAA for a cash consideration of JPY490 million (equivalent to RM12.6 million). On 29 September 2015, AAIL subscribed to an additional 14,000,000 shares of common stock representing 49% of the paid-up capital in JAA for a cash consideration of JPY980 million (equivalent to RM36.5 million).

(b) On 29 July 2015, the Company, through its wholly-owned subsidiary, AAIL, invested an additional 496,536,640 ordinary shares in AirAsia (India) Private Limited ("AAIPL") for a cash consideration of USD7.7 million (equivalent to RM29.5 million). The Group's equity interest in AAIPL remains as 49%.

(c) On 29 September 2015, the Company subscribed to 49% of perpetual capital security issued by IAA amounting to IDR2,058 billion (RM625 million) in proportion to its equity shareholding in IAA. IAA has the discretion to defer interest payment and has no obligation to redeem the principal amount. Therefore, the Company's investment in this perpetual capital security is deemed in substance to be as extension to the Company's net investment in IAA and is accounted for as "Investment in Associate". The investment in perpetual capital security was satisfied via capitalisation of amounts due from IAA.

11 INVESTMENT IN ASSOCIATES (CONTINUED)

Acquisition of interest and additional investment in associates during the financial year ended 31 December 2014

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

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

Impairment loss on investment in associates

As at 31 December 2015, the Group's and the Company's investment in associates was tested for impairment due to continuing losses incurred. The recoverable amount of the investment was computed using fair value less cost to sell method based on market multiple approach in valuing the various businesses.

A forward enterprise value/EBITDAR multiple of 7.5 times has been adopted in determining the estimated enterprise value. Subsequently, other surplus assets and net debt items have been adjusted for accordingly in arriving at the equity value and the recoverable amount of investment in associates.

As a result of the impairment assessment, the Company recognised an impairment loss of RM876 million in the income statement on its investment in associates.

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