

Company No.

284669 W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

11 INVESTMENT IN ASSOCIATES (CONTINUED)

Summarised financial information for associates

The tables below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarised balance sheet

	IAA		PAA		TAA	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>Current</u>						
Cash and cash equivalents	32,576	60,782	1,620	2,205	723,295	508,551
Other current assets	320,920	209,381	1,249,220	1,113,070	216,715	249,531
Total current assets	353,496	270,163	1,250,840	1,115,275	940,010	758,082
<u>Financial liabilities (excluding trade payables)</u>						
Other current liabilities (including trade payables)	(1,246,125) (175,455)	(218,693) (1,055,004)	(1,589,997) (19,155)	(1,286,923) (27,427)	(219,935) (776,539)	(185,213) (683,532)
Total current liabilities	(1,421,580)	(1,273,697)	(1,609,152)	(1,314,350)	(996,474)	(868,745)
<u>Non-current Assets</u>	1,209,321	599,753	215,538	213,280	2,291,082	1,839,295
<u>Liabilities</u>	(494,425)	(432,576)	(52,049)	(120,839)	(1,597,644)	(1,230,728)
Net assets/(liabilities)	(353,188)	(836,357)	(194,823)	(106,634)	636,974	497,904

AIRASIA BERHAD
(Incorporated in Malaysia)

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

11 **INVESTMENT IN ASSOCIATES (CONTINUED)**

Summarised financial information for associates (continued)

Summarised statement of comprehensive income

	IAA		PAA		TAA	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	1,464,188	1,757,282	58,720	67,681	3,379,132	2,554,999
Depreciation and amortisation	(28,687)	(27,469)	(34,631)	(31,020)	(126,367)	(81,037)
Interest income	795	477	-	-	13,543	29,658
Interest expense	(58,374)	(64,582)	(24,687)	(41,508)	(54,930)	(21,990)
(Loss)/profit before taxation	(685,736)	(244,146)	(71,107)	(192,683)	230,850	18,997
Tax income/(expense)	7,472	(28,603)	-	-	(21,902)	(484)
Net (loss)/profit for the financial year	(678,264)	(272,749)	(71,107)	(192,683)	208,948	13,513
Other comprehensive income	-	-	306	(256)	(69,845)	(68,222)
Total comprehensive (loss)/income	(678,264)	(272,749)	(70,801)	(192,939)	139,103	(54,709)
Dividends received from associates	-	-	-	-	48,064	-

Company No.

284669 W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

11 INVESTMENT IN ASSOCIATES (CONTINUED)

Summarised financial information for associates (continued)

Reconciliations of summarised financial information

	IAA		PAA		TAA	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Opening net (liabilities)/assets at 1 January	(836,357)	(618,797)	(106,633)	(9,764)	497,904	552,609
Investment during the financial year	-	-	-	-	-	-
(Loss)/profit for the financial year	(678,264)	(272,749)	(70,801)	(192,939)	208,948	13,513
Other comprehensive income/(loss)	-	-	-	-	(69,845)	(68,222)
Foreign exchange differences	(116,714)	55,189	(17,389)	96,069	(33)	4
Additional share capital/perpetual capital security	1,278,147	-	-	-	-	-
Closing net assets/(liabilities) at 31 December	(353,188)	(836,357)	(194,823)	(106,634)	636,974	497,904
Group's interest in associates	48.9%	48.9%	40%	40%	45%	45%
Interest in associates	(172,709)	(408,979)	(77,929)	(42,654)	286,638	224,057
Amounts due from associates deemed as net investment in associates	873,477	-	85,800	-	-	-
Share of unrecognised losses	-	408,979	-	42,654	-	-
Carrying value at 31 December	700,768	-	7,871	-	286,638	224,057

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

11 INVESTMENT IN ASSOCIATES (CONTINUED)

Individually immaterial associates

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	<u>2015</u>	<u>Group</u> <u>2014</u>
	RM'000	RM'000
Aggregate carrying amount of individually immaterial associates	73,450	6,397
Aggregate amounts of the Group's share of:		
Loss from continuing operations	(38,216)	(35,787)
Other comprehensive income	-	-
Total comprehensive income	<u>(38,216)</u>	<u>(35,787)</u>

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
<u>Listed equity securities</u>				
At 1 January	384,790	571,895	384,790	561,770
Addition	53,811	-	53,811	-
Disposal	-	(44,584)	-	(44,584)
Fair value loss – recognised in other comprehensive income	(203,504)	(132,396)	(203,504)	(132,396)
Impairment loss charged for the year	-	(10,125)	-	-
At 31 December	<u>235,097</u>	<u>384,790</u>	<u>235,097</u>	<u>384,790</u>

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

13 INTANGIBLE ASSETS

<u>Group</u>	<u>Goodwill</u> RM'000	<u>Internally developed software</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>			
At 1 January 2015	7,334	-	7,334
Additions – acquisitions (Note 9)	10,369	1,505	11,874
At 31 December 2015	<u>17,703</u>	<u>1,505</u>	<u>19,208</u>
<u>Accumulated amortisation</u>			
At 1 January 2015	-	-	-
Amortisation expense	-	(24)	(24)
At 31 December 2015	<u>-</u>	<u>(24)</u>	<u>(24)</u>
Carrying amount as at 31 December 2015	<u>17,703</u>	<u>1,481</u>	<u>19,184</u>
<u>Cost</u>			
At 1 January 2014/31 December 2014	<u>7,334</u>	<u>-</u>	<u>7,334</u>
<u>Accumulated amortisation</u>			
At 1 January 2014/31 December 2014	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount as at 31 December 2014	<u>7,334</u>	<u>-</u>	<u>7,334</u>

The Company has no intangible assets.

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

<u>Cash-generating unit</u>	<u>2015</u> RM'000	<u>Group</u> <u>2014</u> RM'000
AirAsia Investment Ltd	7,334	7,334
TPaay Asia Sdn Bhd	5,275	-
Tune Box Sdn Bhd	5,094	-
	<u>17,703</u>	<u>7,334</u>

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

14 DEFERRED TAXATION

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

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	<u>828,950</u>	<u>466,968</u>	<u>828,777</u>	<u>466,968</u>

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

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
At start of financial year	466,968	381,195	466,968	381,195
Credited/(charged) to income statements (Note 6)				
- Property, plant and equipment	308,539	(80,109)	308,366	(80,109)
- Tax incentives	53,443	165,882	53,443	165,882
	<u>361,982</u>	<u>85,773</u>	<u>361,809</u>	<u>85,773</u>
At end of financial year	<u>828,950</u>	<u>466,968</u>	<u>828,777</u>	<u>466,968</u>
Deferred tax assets (before offsetting)				
Tax incentives	1,392,124	1,338,681	1,392,124	1,338,681
Tax losses	8,803	8,803	8,803	8,803
	<u>1,400,927</u>	<u>1,347,484</u>	<u>1,400,927</u>	<u>1,347,484</u>
Offsetting	(571,977)	(880,516)	(572,150)	(880,516)
Deferred tax assets (after offsetting)	<u>828,950</u>	<u>466,968</u>	<u>828,777</u>	<u>466,968</u>

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

14 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(571,977)	(880,516)	(572,150)	(880,516)
Offsetting	571,977	880,516	572,150	880,516
Deferred tax liabilities (after offsetting)	-	-	-	-

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

Company No.

284669 W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

15 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current:				
Trade receivables	-	28,141	-	28,141
Less: Allowance for impairment	-	(3,697)	-	(3,697)
	-	24,444	-	24,444
Prepayments	1,261,540	975,500	1,261,540	975,500
Deposits for maintenance of aircraft	90,472	62,643	90,472	62,643
Other deposits	60,230	69,917	33,296	51,337
	1,412,242	1,132,504	1,385,308	1,113,924
Current:				
Trade receivables	145,852	128,963	120,398	90,031
Less: Allowance for impairment	(35,493)	(3,316)	(35,254)	(3,316)
	110,359	125,647	85,144	86,715
Other receivables	248,066	176,216	226,185	162,392
Less: Allowance for impairment	(1,906)	(30,587)	(1,906)	(22,307)
	246,160	145,629	224,279	140,085
Prepayments	180,232	320,237	153,294	320,060
Deposits – cash collateral for derivatives	-	44,594	-	44,594
Other deposits	80,671	46,802	73,623	46,572
	617,422	682,909	536,340	638,026

Credit terms of trade receivables range from 30 to 60 days (2014: 30 to 60 days).

AIRASIA BERHAD
(Incorporated in Malaysia)

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

15 RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

Receivables that are neither past due nor impaired amounted to RM504,355,000 and RM438,533,000 (2014: RM428,644,000 and RM365,358,000) for the Group and Company respectively. These are substantially companies with good collection track records with the Group and Company.

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

Receivables that are past due but not impaired amounted to RM83,537,000 and RM68,281,000 (2014: RM91,032,000 and RM91,032,000) for the Group and Company. These relate to a number of independent customers which have no recent history of default. The ageing analysis of these receivables that are past due but not impaired is as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
1 to 90 days	27,822	30,263	14,370	30,263
91 to 120 days	16,290	9,086	15,977	9,086
121 to 180 days	10,138	11,519	8,966	11,519
181 to 365 days	13,080	9,340	12,753	9,340
Over 365 days	16,207	6,380	16,215	6,380
	<u>83,537</u>	<u>66,588</u>	<u>68,281</u>	<u>66,588</u>

Receivables that are past due but not impaired included in non-current asset at the balance sheet date in the previous financial year relates to an amount due from a customer of RM 24,444,000 for which arbitration proceedings have been completed in the current financial year. Following this, RM 17,876,000 was recovered and the remaining balance was impaired and subsequently written off.

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

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Over 365 days	37,399	37,600	37,160	29,320
Less: Allowance for impairment	(37,399)	(37,600)	(37,160)	(29,320)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

15 RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
At 1 January	37,600	21,930	29,320	19,448
Utilised	(17,724)	(14,981)	(9,683)	(14,981)
Impairment (Note 3)	17,523	30,651	17,523	24,853
At 31 December	<u>37,399</u>	<u>37,600</u>	<u>37,160</u>	<u>29,320</u>

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

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

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

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

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	144,036	195,538	131,608	189,758
US Dollar	387,197	211,769	318,548	154,263
Others	56,659	112,369	56,658	112,369
	<u>587,892</u>	<u>519,676</u>	<u>506,814</u>	<u>456,390</u>

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

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

16 DEPOSITS ON AIRCRAFT PURCHASE

Deposits on aircraft purchases represent refundable deposits paid for aircraft to be delivered to the Company. These deposits are denominated in US Dollars.

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

17 AMOUNTS DUE FROM/(TO) ASSOCIATES

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
Amounts due from associates				
- current	394,970	153,803	297,976	148,907
- non-current	1,142,119	2,301,528	1,034,869	2,213,755
	<u>1,537,089</u>	<u>2,455,331</u>	<u>1,332,845</u>	<u>2,362,662</u>
Amounts due to associates				
- current	-	(55,110)	-	(55,110)
- non-current	(76,216)	(83,545)	(21,622)	(64,965)
	<u>(76,216)</u>	<u>(138,655)</u>	<u>(21,622)</u>	<u>(120,075)</u>

Amounts due from associates include an amount of RM492.7 million (2014: RM458.7 million) relating to advances to PT Indonesia AirAsia ("IAA") for purchase of aircraft in 2011 for the financing of aircraft purchase and are repayable over terms ranging from 7 years to 9 years at interest rates between 6.16% to 6.65% per annum. From this amount, RM419.6 million (2014: RM401.5 million) is repayable after 12 months. The Company holds the aircraft as collateral. Other amounts due from associates were charged interest at 6% per annum.

In addition, the amounts due from associates include advances to AirAsia Inc. ("PAA") of RM722.5 million (2014: RM588.6 million) and RM615.3 million (2014: RM431.3 million) for the Group and the Company respectively. These advances are repayable over a term of up to 10 years from drawdown date. These advances are subject to interest of 6% per annum.

Company No.:

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

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

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

Amounts due from associates that are neither past due nor impaired of the Group and Company amounted to RM1,313,208,000 and RM1,174,887,000 (2014: RM1,212,867,000 and RM1,125,035,000) respectively.

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

Amounts due from associates of the Group and Company that are past due but not impaired amounted to RM223,881,000 and RM157,959,000 respectively (2014: RM1,242,464,000 and RM1,237,627,000). The ageing analysis of these amounts is as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Up to 1 year	223,881	1,152,690	157,959	1,147,853
Over 1 year	-	89,774	-	89,774
	223,881	1,242,464	157,959	1,237,627

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

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

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

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

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Amounts due from associates				
- US Dollar	1,533,906	2,451,131	1,329,662	2,358,462
- Ringgit Malaysia	3,183	4,200	3,183	4,200
	1,537,089	2,455,331	1,332,845	2,362,662
Amounts due to associates				
- US Dollar	(76,216)	(138,655)	(21,622)	(120,075)
	(76,216)	(138,655)	(21,622)	(120,075)

Company No.

284669	W
--------	---

AIRASIA BERHAD
(Incorporated in Malaysia)

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

18 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company			
	2015		2014	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
	RM'000	RM'000	RM'000	RM'000
<u>Non-current</u>				
Interest rate swaps				
- cash flow hedges	613	(194,082)	988	(199,743)
Interest rate swaps				
- held for trading	-	(43,816)	-	(48,352)
Interest rate caps				
- held for trading	575	-	1,732	-
Forward foreign exchange				
contracts - cash flow hedges	778,338	-	326,310	-
Forward foreign exchange				
contracts - held for trading	165,964	-	52,656	-
Total	<u>945,490</u>	<u>(237,898)</u>	<u>381,686</u>	<u>(248,095)</u>
<u>Current</u>				
Interest rate swaps				
- held for trading	-	(27,347)	-	(27,574)
Forward foreign exchange				
contracts - held for trading	37,569	(1,029)	7,364	-
Commodity derivatives				
cash flow hedges	356,308	(517,468)	-	-
Commodity derivatives				
- held for trading	25,235	(36,647)	278,934	(444,630)
Total	<u>419,112</u>	<u>(582,491)</u>	<u>286,298</u>	<u>(472,204)</u>

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

AIRASIA BERHAD
(Incorporated in Malaysia)

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

18 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	2015		2014	
	<u>Notional amount</u> RM'000	<u>Fair value</u> RM'000	<u>Notional amount</u> RM'000	<u>Fair value</u> RM'000
Interest rate caps	361,025	575	338,689	1,732
Interest rate swaps	3,753,974	(264,632)	3,360,539	(274,681)
Cross currency interest rate swaps	431,441	132,609	476,242	27,384
Forward foreign exchange contracts	2,443,449	848,232	2,786,088	358,946
Commodity derivatives	3,565,705	(172,572)	3,012,001*	(165,696)

*: in barrels

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

The notional principal amounts of the outstanding forward foreign exchange contracts and cross currency interest rate swaps at 31 December 2015 were RM 2.875 billion (2014: RM3.262 billion).

As at 31 December 2015, the Group has hedged approximately 58% (2014: 51%) of its USD liabilities pertaining to its aircraft and engine loans into Malaysian Ringgit ("RM") by using long dated foreign exchange forward contracts and cross currency interest rate swaps to manage its foreign currency risk. The latest weighted average of USD:RM forward exchange rate is 3.2364 (2014: 3.2375). Gains and losses recognised in the hedging reserve in equity on hedging instruments as of 31 December 2015 will be continuously released to the income statement within foreign exchange gains/(losses) on borrowings until the full repayment of the term loans (refer Note 25 to the financial statements).

(ii) Interest rate contracts

The notional principal amounts of the outstanding interest rate contracts at 31 December 2015 were RM 4.115 billion (2014: RM3.699 billion).

The Group has entered into interest rate contracts to hedge against fluctuations in the USD LIBOR on its existing floating rate aircraft financing for aircraft delivered from 2005 to 2015. As at 31 December 2015, the Group has hedged RM 908.3 million (2014: RM916.9 million) of its existing aircraft loans at rates from 1.80% to 5.2% per annum (2014: 1.80% to 5.20% per annum) via interest rate swaps, interest rate caps and cross-currency swaps. As at 31 December 2015, the Group has hedged RM 2.798 billion (2014: RM2.485 billion) of the term loans and RM806.1 million (2014: RM722.3 million) of the finance lease liabilities (Note 25). Gains and losses recognised in the hedging reserve in equity on hedging instruments as of 31 December 2015 will be continuously released to the income statement within finance cost until the full repayment of the term loans (refer Note 25 to the financial statements).

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

18 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Fuel contracts

The outstanding number of barrels of Singapore Jet Kerosene, Brent and Crack derivative contracts at 31 December 2015 was 3,565,705 barrels (2014: 3,012,001 barrels).

As at 31 December 2015, the Group has entered into Singapore Jet Kerosene fixed swap which represents up to 38% (2014: 50%) of the Group's total expected fuel volume for the financial year 2016. The Group has also entered into Brent option and Crack fixed swap contracts which represent an additional 4% (2014: nil) of the Group's total expected fuel volume for the financial year 2016. This is to hedge against the fuel price risk that the Group is exposed to. Gains and losses recognised in the hedging reserve in equity on Brent and fuel derivative contracts as of 31 December 2015 are recognised in the income statement in the period or periods during which the hedged forecast transactions affects the income statement.

19 INVENTORIES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Consumables, in-flight merchandise and others	26,152	18,152	26,152	18,152
	26,152	18,152	26,152	18,152

20 AMOUNTS DUE FROM SUBSIDIARIES AND RELATED PARTIES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Amounts due from subsidiaries	-	-	426,515	194,243
Less: Allowance for impairment	-	-	(20,290)	(20,290)
	-	-	406,225	173,953
Amounts due from related parties	43,851	3,179	15,787	3,144
	43,851	3,179	422,012	177,097

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	-	-	20,290	5,306
Less: Allowance for impairment	-	-	-	14,984
At 31 December	-	-	20,290	20,290

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

20 AMOUNTS DUE FROM SUBSIDIARIES AND RELATED PARTIES (CONTINUED)

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

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

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	7,261	454	36,497	49,860
US Dollar	36,590	2,725	385,515	127,237
	<u>43,851</u>	<u>3,179</u>	<u>422,012</u>	<u>177,097</u>

21 AMOUNTS DUE FROM JOINT VENTURES

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
Amounts due from joint ventures	<u>5,708</u>	<u>51,188</u>	<u>5,708</u>	<u>34,432</u>

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

The currency profile of the amounts due from joint ventures is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
Amounts due from joint ventures:				
- Ringgit Malaysia	5,708	33,770	5,708	33,770
- Singapore Dollar	-	17,418	-	662
	<u>5,708</u>	<u>51,188</u>	<u>5,708</u>	<u>34,432</u>

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

22 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits with licensed banks	1,030,228	837,066	1,013,300	833,422
Cash and bank balances	1,396,468	500,783	1,249,341	485,663
	<u>2,426,696</u>	<u>1,337,849</u>	<u>2,262,641</u>	<u>1,319,085</u>

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Ringgit Malaysia	456,224	180,190	435,123	178,453
US Dollar	1,012,605	75,581	899,104	58,616
Chinese Renminbi	765,242	1,017,429	765,242	1,017,429
Others	192,625	64,649	163,172	64,587
	<u>2,426,696</u>	<u>1,337,849</u>	<u>2,262,641</u>	<u>1,319,085</u>

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

	Group		Company	
	2015 %	2014 %	2015 %	2014 %
Deposits with licensed banks	<u>2.42</u>	<u>3.21</u>	<u>2.42</u>	<u>3.21</u>

23 TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>Non-current:</u>				
Trade and other payables	<u>1,043,994</u>	<u>1,212,044</u>	<u>1,013,936</u>	<u>1,212,044</u>

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

23 TRADE AND OTHER PAYABLES (CONTINUED)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>Current:</u>				
Trade payables	269,960	100,227	241,884	55,622
Accrual for fuel	62,739	199,749	62,739	199,749
Other payables and accruals	1,301,358	473,152	1,218,736	526,207
	<u>1,634,057</u>	<u>773,128</u>	<u>1,523,359</u>	<u>781,578</u>

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

Included in non-current trade and other payables are aircraft maintenance accrual of RM514,138,000 and RM513,275,000 for the Group and Company respectively.

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
RM	1,228,047	524,135	1,106,060	519,484
USD	1,422,595	1,343,101	1,403,826	1,356,202
Others	27,409	117,936	27,409	117,936
	<u>2,678,051</u>	<u>1,985,172</u>	<u>2,537,295</u>	<u>1,993,622</u>

24 AMOUNTS DUE TO SUBSIDIARIES AND RELATED PARTIES

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

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Amounts due to subsidiaries and related parties:				
- Ringgit Malaysia	-	13,979	302,173	13,979
- US Dollar	13,661	10,714	52,704	10,714
	<u>13,661</u>	<u>24,693</u>	<u>354,877</u>	<u>24,693</u>

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

25 BORROWINGS

	<u>Group</u>		<u>Company</u>	
	<u>2015</u> RM'000	<u>2014</u> RM'000	<u>2015</u> RM'000	<u>2014</u> RM'000
<u>Current:</u>				
Term loans	1,494,047	1,399,003	1,368,328	1,399,003
Finance lease liabilities (Ijarah)	98,615	75,530	98,615	75,530
Commodity Murabahah Finance	53,069	51,389	53,069	51,389
Revolving credit	731,525	749,006	731,525	749,006
	<u>2,377,256</u>	<u>2,274,928</u>	<u>2,251,537</u>	<u>2,274,928</u>
<u>Non-current:</u>				
Term loans	8,893,565	9,131,661	8,089,553	9,131,661
Finance lease liabilities (Ijarah)	783,699	719,117	783,699	719,117
Commodity Murabahah Finance	558,315	602,312	558,315	602,312
	<u>10,235,579</u>	<u>10,453,090</u>	<u>9,431,567</u>	<u>10,453,090</u>
Total borrowings	<u>12,612,835</u>	<u>12,728,018</u>	<u>11,683,104</u>	<u>12,728,018</u>

	<u>Group</u>		<u>Company</u>	
	<u>2015</u> %	<u>2014</u> %	<u>2015</u> %	<u>2014</u> %
<u>Weighted average interest rate</u>				
Term loans	4.21	3.95	4.24	3.95
Finance lease liabilities (Ijarah)	6.12	5.60	6.12	5.60
Commodity Murabahah Finance	5.64	4.62	5.64	4.62
Revolving credit	2.55	2.22	2.55	2.22

The borrowings are repayable as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2015</u> RM'000	<u>2014</u> RM'000	<u>2015</u> RM'000	<u>2014</u> RM'000
Not later than 1 year	2,377,256	2,274,928	2,251,537	2,274,928
Later than 1 year and not later than 5 years	5,924,452	5,667,740	5,365,719	5,667,740
Later than 5 years	4,311,127	4,785,350	4,065,848	4,785,350
	<u>12,612,835</u>	<u>12,728,018</u>	<u>11,683,104</u>	<u>12,728,018</u>

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

25 BORROWINGS (CONTINUED)

The currency profile of borrowings is as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	1,494,381	2,285,827	1,494,381	2,285,827
US Dollar	10,734,446	10,099,768	9,828,501	10,099,768
Euro	167,504	140,204	143,718	140,204
Singapore Dollar	216,504	202,219	216,504	202,219
	<u>12,612,835</u>	<u>12,728,018</u>	<u>11,683,104</u>	<u>12,728,018</u>

Total borrowings as at 31 December 2015 consist of the following banking facilities:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Fixed rate borrowings	9,987,582	7,137,045	9,259,682	7,137,045
Floating rate borrowings	2,625,253	5,590,973	2,423,422	5,590,973
	<u>12,612,835</u>	<u>12,728,018</u>	<u>11,683,104</u>	<u>12,728,018</u>

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

	Group		Company	
	2015	2014	2015	2014
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Term loans	8,094,638	8,034,915	5,878,388	5,874,449
Finance lease liabilities (Ijarah)	783,699	837,647	719,116	677,186
	<u>8,878,337</u>	<u>8,872,562</u>	<u>6,597,504</u>	<u>6,551,635</u>
	Group		Company	
	2015	2014	2015	2014
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Term loans	7,460,992	7,403,180	5,878,388	5,874,449
Finance lease liabilities (Ijarah)	783,699	837,647	719,116	677,186
	<u>8,244,691</u>	<u>8,240,827</u>	<u>6,597,504</u>	<u>6,551,635</u>

AIRASIA BERHAD
(Incorporated in Malaysia)

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

25 BORROWINGS (CONTINUED)

The fair values of the non-current floating rate borrowings approximate their carrying amounts, as the impact of discounting is not significant.

The fair values of the non-current fixed rate borrowings are based on cash flows discounted using borrowing rates that are reflective of the Group's and Company's credit risk at the balance sheet date, at 2.6% to 4.1% (2014: 4.4% to 5.8%) per annum. The fair values of non-current borrowings are within level 2 of the fair value hierarchy.

The term loans, finance lease liabilities (Ijarah) and commodity murabahah finance are for the purchase of aircraft, spare engines and working capital purposes. The repayment terms of secured term loans, finance lease liabilities (Ijarah) and commodity murabahah finance are on a quarterly or semi-annually basis.

Total borrowings include secured liabilities of the Group and Company of RM11.7 billion and RM10.8 billion respectively (2014: RM11.8 billion and RM11.8 billion). These are secured by the following:

- (a) Assignment of rights under contract with Airbus over each aircraft;
- (b) Assignment of insurance of each aircraft;
- (c) Assignment of airframe and engine warranties of each aircraft; and
- (d) Deposits placed with a licensed bank

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

26 SHARE CAPITAL

	<u>Group and Company</u>	
	<u>2015</u>	<u>2014</u>
	RM'000	RM'000
<u>Authorised:</u>		
Ordinary shares of RM0.10 each:		
At beginning and end of the financial year	<u>500,000</u>	<u>500,000</u>
<u>Issued and fully paid up:</u>		
Ordinary shares of RM0.10 each:		
At beginning of the financial year	278,297	278,106
Issued during the financial year	-	191
At end of the financial year	<u>278,297</u>	<u>278,297</u>

During the previous financial year, the Company increased its issued and paid-up ordinary share capital from RM278,106,258 to RM278,297,408 by way of issuance of 1,911,500 ordinary shares of RM0.10 each pursuant to the exercise of the Employee Share Option Scheme ("ESOS") at an exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM1,873,270 has been credited to the Share Premium account. The Company's share option scheme lapsed on 6 June 2014.

The new ordinary shares issued during the previous financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

There were no issuance of shares during the financial year.

AIRASIA BERHAD
(Incorporated in Malaysia)

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

27 RETAINED EARNINGS AND OTHER RESERVES

(a) Retained earnings

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

(b) Other reserves

	Cash flow hedge reserve RM'000	Available- for-sale reserve RM'000	Total RM'000
<u>Group</u>			
At 1 January 2015	(172,874)	311,874	139,000
Net change in fair value	485,102	(203,504)	281,598
Amounts transferred to income statement	(820,766)	-	(820,766)
Share of other comprehensive income of an associate	(31,430)	-	(31,430)
At 31 December 2015	<u>(539,968)</u>	<u>108,370</u>	<u>(431,598)</u>
At 1 January 2014	80,065	486,347	566,412
Net change in fair value	(46,983)	(132,396)	(179,379)
Amounts transferred to income statement	(175,256)	-	(175,256)
Share of other comprehensive income of an associate	(30,700)	-	(30,700)
Transfer to profit or loss on disposal	-	(42,077)	(42,077)
At 31 December 2014	<u>(172,874)</u>	<u>311,874</u>	<u>139,000</u>
<u>Company</u>			
At 1 January 2015	(142,174)	311,874	169,700
Net change in fair value	485,102	(203,504)	281,598
Amounts transferred to income statement	(820,766)	-	(820,766)
At 31 December 2015	<u>(477,838)</u>	<u>108,370</u>	<u>(369,468)</u>
At 1 January 2014	80,065	486,347	566,412
Net change in fair value	(46,983)	(132,396)	(179,379)
Amounts transferred to income statement	(175,256)	-	(175,256)
Transfer to profit or loss on disposal	-	(42,077)	(42,077)
At 31 December 2014	<u>(142,174)</u>	<u>311,874</u>	<u>169,700</u>

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

28 DIVIDENDS

Dividends declared or proposed by the Company are as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Gross dividend per share</u> Sen	<u>Amount of dividend net of tax</u> RM'000	<u>Gross dividend per share</u> Sen	<u>Amount of dividend net of tax</u> RM'000
First and final single tier dividend of 3 sen per ordinary share paid in respect of the financial year ended 31 December 2014 (2014: First and final single-tier dividend of 4 sen per ordinary share in respect of the financial year ended 31 December 2013)	3.00	83,489	4.00	111,292

29 COMMITMENTS AND OPERATING LEASES

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

	<u>Group and Company</u>	
	<u>2015</u> RM'000	<u>2014</u> RM'000
Property, plant and equipment:		
- Approved and contracted for	76,136,654	63,257,559
- Approved but not contracted for	18,397,931	14,452,618
	<u>94,534,585</u>	<u>77,710,177</u>

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

	<u>Group and Company</u>	
	<u>2015</u> RM'000	<u>2014</u> RM'000
Not later than 1 year	1,716,182	1,131,682
Later than 1 year and not later than 5 years	12,855,609	8,072,885
Later than 5 years	61,564,863	54,052,992
	<u>76,136,654</u>	<u>63,257,559</u>

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

29 COMMITMENTS AND OPERATING LEASES (CONTINUED)

(b) Non-cancellable operating leases

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

	2015		2014	
	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000
<u>Group</u>				
Not later than 1 year	471,114	1,059,115	179,353	816,986
Later than 1 year and not later than 5 years	2,036,298	4,608,811	667,617	3,140,181
Later than 5 years	418,746	1,683,782	466,627	2,237,442
	<u>2,926,158</u>	<u>7,351,708</u>	<u>1,313,597</u>	<u>6,194,609</u>
<u>Company</u>				
Not later than 1 year	61,666	385,499	179,353	816,986
Later than 1 year and not later than 5 years	272,287	1,645,773	667,617	3,140,181
Later than 5 years	-	1,170,076	466,627	2,237,442
	<u>333,953</u>	<u>3,201,348</u>	<u>1,313,597</u>	<u>6,194,609</u>

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

30 SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision maker, which is the Group's Chief Executive Officer ("GCEO") effective 1 July 2015. The GCEO considers the business from a geographical perspective and identified the operating segments by each Air Operator Certificate ("AOC") held under the AirAsia brand. These are categorised as Malaysia, Thailand, Indonesia, Philippines, India and Japan.

The GCEO assesses the performance of the operating segments based on revenue and net operating profit.

Segment analysis by product categories has not been prepared as the Group is primarily engaged in the provision of air transportation services. Reconciliation to the reportable segments relates to the elimination of the associate companies.

Following the change in operating segments during the financial year, comparatives have been re-presented to align with the current year's presentation.

AIRASIA BERHAD
(Incorporated in Malaysia)

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

30 SEGMENTAL INFORMATION (CONTINUED)

The segmental information provided to the GCEO for the reportable segments are as follows:

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Philippines RM'000	India RM'000	Japan RM'000	Elimination adjustments RM'000	Total RM'000
<u>2015</u>								
<u>Segment results</u>								
Revenue	6,297,658	3,369,183	1,464,188	768,019	318,967	-	(1,423,121)	10,794,894
Operating expenses:								
- Staff costs	(759,420)	(385,096)	(196,253)	(126,384)	(76,138)	(43,728)	-	(1,587,019)
- Depreciation of property, plant and equipment	(703,245)	(126,367)	(28,687)	(36,486)	(2,773)	(946)	-	(898,504)
- Aircraft fuel expenses	(2,000,650)	(1,122,449)	(616,241)	(355,032)	(139,646)	(1,096)	-	(4,235,114)
- Maintenance and overhaul	(196,883)	(266,951)	(224,413)	(143,675)	(29,521)	(668)	457,064	(405,247)
- User charges and other related expenses	(685,013)	(540,704)	(238,698)	(105,043)	(44,847)	(841)	-	(1,615,146)
- Aircraft operating lease expenses	(330,790)	(473,551)	(336,140)	(170,125)	(68,311)	(4,428)	966,057	(417,288)
- Other operating expenses	157,012	(218,125)	(99,438)	(58,554)	(62,793)	(12,277)	68,770	(225,405)
Other income	257,975	71,040	17,683	48,090	3,496	-	(68,770)	329,514
Operating profit/(loss)	2,036,644	306,980	(257,999)	(179,190)	(101,566)	(64,184)	-	1,740,685

Company No.

284669 W

AIRASIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)**30 SEGMENTAL INFORMATION (CONTINUED)**

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Philippines RM'000	India RM'000	Japan RM'000	Elimination adjustments RM'000	Total RM'000
2015 (continued)								
Segment results (continued)								
Finance income	154,148	13,543	795	50	2,568	2	(34,602)	136,504
Finance costs	(724,035)	(52,189)	(58,374)	(33,851)	(4)	(28)	34,602	(833,879)
Net operating profit/(loss)	1,466,757	268,334	(315,578)	(212,991)	(99,002)	(64,210)	-	1,043,310
Foreign exchange losses	(772,109)	(23,380)	(370,159)	(53,600)	(7,857)	(125)	-	(1,227,230)
Gain on disposal of interest in a joint venture	320,500	-	-	-	-	-	-	320,500
Share of results of joint ventures	25,492	-	-	-	-	-	-	25,492
Share of results of associates	(825,490)	-	-	-	-	-	839,984	14,494
Profit/(Loss) before taxation	215,150	244,954	(685,737)	(266,591)	(106,859)	(64,335)	839,984	176,566

There is no single customer who contributed to 10% or more of the Group's total revenue.

Company No.

284669 W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

30	SEGMENTAL INFORMATION (CONTINUED)	2015							Elimination adjustments RM'000	Total RM'000
		Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Philippines RM'000	India RM'000	Japan RM'000			
	<u>Segment Assets</u>									
	Property, plant and equipment	10,927,645	2,160,469	449,194	226,110	23,143	11,301	-	13,797,862	
	Deposits, cash and bank balances	2,426,696	900,355	32,576	13,777	34,900	21,349	-	3,429,653	
	Investment in joint ventures and associates	1,184,664	-	-	-	-	-	(639,984)	344,680	
	Other assets	6,777,252	394,908	1,023,025	1,316,991	48,089	27,573	(1,449,608)	8,138,230	
		<u>21,316,257</u>	<u>3,455,732</u>	<u>1,504,795</u>	<u>1,556,878</u>	<u>106,132</u>	<u>60,223</u>	<u>(2,289,592)</u>	<u>25,710,425</u>	
	<u>Segment Liabilities</u>									
	Borrowings	(12,612,835)	(1,672,237)	(494,425)	(379,597)	-	-	492,682	(14,666,412)	
	Others	(4,252,568)	(918,939)	(1,421,580)	(2,776,956)	(170,025)	(9,378)	956,926	(8,592,520)	
		<u>(16,865,403)</u>	<u>(2,591,176)</u>	<u>(1,916,005)</u>	<u>(3,156,553)</u>	<u>(170,025)</u>	<u>(9,378)</u>	<u>1,449,608</u>	<u>(23,258,932)</u>	

Company No.

284669 W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

30 **SEGMENTAL INFORMATION (CONTINUED)**

	<u>Malaysia</u> RM'000	<u>Thailand</u> RM'000	<u>Indonesia</u> RM'000	<u>Philippines</u> RM'000	<u>India</u> RM'000	<u>Japan</u> RM'000	<u>Elimination</u> <u>adjustments</u> RM'000	<u>Total</u> RM'000
<u>Segment results</u>								
Revenue	5,415,744	2,557,816	1,757,282	591,682	45,432	-	(795,165)	9,572,791
Operating expenses:	(667,277)	(263,187)	(181,189)	(115,723)	(35,028)	(9,230)	-	(1,291,634)
- Staff costs	(719,497)	(80,572)	(27,469)	(14,026)	(195)	(88)	-	(841,847)
- Depreciation of property, plant and equipment	(2,254,237)	(1,137,128)	(887,891)	(346,162)	(30,627)	-	-	(4,656,045)
- Aircraft fuel expenses	(149,411)	(187,820)	(198,966)	(119,503)	(3,488)	-	-	(659,188)
- Maintenance and overhaul	(545,279)	(356,775)	(148,917)	(94,087)	(5,072)	-	-	(1,150,130)
- User charges and other related expenses	(198,280)	(378,382)	(326,584)	(155,075)	(14,369)	-	795,165	(277,525)
- Aircraft operating lease expenses	(233,760)	(154,734)	(168,566)	(213,279)	(10,449)	(10,373)	61,108	(730,053)
- Other operating expenses	178,029	51,672	2,258	-	119	-	(61,108)	170,970
Other income	826,032	30,890	(180,042)	(466,173)	(53,677)	(19,691)	-	137,339
Operating profit/(loss)	121,869	22,255	477	-	531	-	(58,322)	86,810
Finance income	(533,967)	(31,550)	(59,144)	(45,312)	(54)	-	58,322	(611,705)
Finance costs	413,934	21,595	(238,709)	(511,485)	(53,200)	(19,691)	-	(387,556)
Net operating profit/(loss)								

Company No.

284669 W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

30 SEGMENTAL INFORMATION (CONTINUED)

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Philippines RM'000	India RM'000	Japan RM'000	Elimination adjustments RM'000	Total RM'000
2014 (continued)								
Segment results (continued)								
Foreign exchange (losses)/gains	(418,792)	12,714	(5,439)	(9,210)	(1,406)	-	-	(422,133)
Share of results of joint ventures	57,266	-	-	-	-	-	-	57,266
Share of results of associates	(29,707)	-	-	-	-	-	25,976	(3,731)
Profit/(loss) before taxation	22,701	34,309	(244,148)	(520,695)	(54,606)	(19,691)	25,976	(756,154)

There is no single customer who contributed to 10% or more of the Group's total revenue.

Company No.

284669 W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

30

SEGMENTAL INFORMATION (CONTINUED)

	2014	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Philippines RM'000	India RM'000	Japan RM'000	Elimination adjustments RM'000	Total RM'000
Segment Assets									
Property, plant and equipment	12,533,535	1,693,852	422,209	221,548	1,905	1,013	-	-	14,874,062
Deposits, cash and bank balances	1,337,849	527,401	60,782	14,387	57,133	10,463	-	-	2,008,015
Investment in joint ventures and associates	422,074	-	-	-	-	-	-	(25,976)	396,098
Other assets	6,370,660	509,909	326,142	1,546,857	6,903	62	(2,289,801)	(2,289,801)	6,470,732
	<u>20,664,118</u>	<u>2,731,162</u>	<u>809,133</u>	<u>1,782,792</u>	<u>65,941</u>	<u>11,538</u>	<u>(2,315,777)</u>	<u>(2,315,777)</u>	<u>23,748,907</u>
Segment Liabilities									
Borrowings	(12,728,018)	(1,283,963)	(460,880)	(338,158)	-	-	-	458,715	(14,352,304)
Others	(3,381,009)	(787,941)	(1,245,393)	(2,565,429)	(78,604)	(937)	(937)	1,831,086	(6,228,227)
	<u>(16,109,027)</u>	<u>(2,071,904)</u>	<u>(1,706,273)</u>	<u>(2,903,587)</u>	<u>(78,604)</u>	<u>(937)</u>	<u>(937)</u>	<u>2,289,801</u>	<u>(20,580,531)</u>

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

30 SEGMENTAL INFORMATION (CONTINUED)

	<u>2015</u> RM'000	<u>2014</u> RM'000
(a) Reconciliation of segment revenue to reported revenue:		
Segment revenue	12,218,015	10,367,956
Less: Inter-segment revenue	(1,423,121)	(795,165)
Less: Revenue from associated companies which were not consolidated	(4,497,236)	(4,157,047)
	<u>6,297,658</u>	<u>5,415,744</u>
(b) Reconciliation of segment loss before taxation to reported loss before taxation:		
Segment profit/(loss) before taxation	176,566	(756,154)
Add: Expenses from affiliates which were not consolidated	38,584	778,855
	<u>215,150</u>	<u>22,701</u>
(c) Reconciliation of segment assets to reported total assets		
Segment assets	25,710,425	23,748,907
Less: Assets of affiliates which were not consolidated	(4,394,168)	(3,084,789)
	<u>21,316,257</u>	<u>20,664,118</u>
(d) Reconciliation of segment liabilities to reported total liabilities		
Segment liabilities	23,258,932	20,580,531
Less: Liabilities of affiliates which were not consolidated	(6,393,529)	(4,471,504)
	<u>16,865,403</u>	<u>16,109,027</u>

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

31 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

The related parties of the Company and their relationships at 31 December 2015 are as follows:

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

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

Key management personnel are categorised as head or senior management officers of key operating divisions within the Group and Company. The key management compensation is disclosed in Note 31(d) below.

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

Company No.

284669 W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

31 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(a) <u>Income:</u>				
Aircraft operating lease income for owned and leased aircraft				
- Thai AirAsia Co. Ltd	458,246	374,529	286,874	374,529
- PT Indonesia AirAsia	327,657	324,247	283,937	324,247
- AirAsia Inc/Zest Airway Inc	82,899	80,847	61,928	80,847
- AirAsia (India) Private Limited	67,550	14,782	56,799	14,782
- AirAsia Japan Co. Ltd	3,617	-	-	-
- PT Indonesia AirAsia Extra	22,064	-	-	-
- Others	5,430	-	-	-
Gain on disposal of aircraft to Thai AirAsia Co. Ltd	22,759	11,377	-	-
Fees charged to associates and related party providing commercial air transport services	91,076	69,638	91,076	69,638
Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad	18,714	12,985	18,714	12,985
(b) <u>Recharges:</u>				
Recharges of expenses to				
- Thai AirAsia Co. Ltd	159,766	102,456	159,766	102,456
- PT Indonesia AirAsia	111,295	356,240	111,295	356,240
- AirAsia Inc	49,665	31,341	49,665	31,341
- Zest Airways Inc	14,269	20,706	14,269	20,706
- AirAsia X Berhad	7,833	7,576	7,833	7,576
Recharges of expenses by				
- Thai AirAsia Co. Ltd	(8,881)	(14,304)	(8,881)	(14,304)

AIRASIA BERHAD
(Incorporated in Malaysia)

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

31 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(c) <u>Other charges/(expenses):</u>				
Maintenance reserve fund charged to				
- PT Indonesia Airasia	157,843	147,839	156,594	147,839
- Thai AirAsia Co. Ltd	177,446	141,866	167,868	141,866
- AirAsia Inc	10,395	8,884	9,678	8,884
- Zest Airways Inc	35,207	22,136	33,732	22,136
- AirAsia (India) Private Limited	23,268	2,079	22,624	2,079
- PT Indonesia AirAsia Extra	7,563	-	-	-
Interest charges to				
- PT Indonesia AirAsia	22,179	34,010	22,179	34,010
- AirAsia Inc	12,423	24,312	12,423	24,312
- MadClence Sdn Bhd	-	-	399	-
Provision of sponsorship to Queen Park Rangers Holdings Ltd	(5,620)	(9,003)	(5,620)	(9,003)
Charter air travel services charged by AirAsia X Berhad	(10,940)	(8,827)	(10,940)	(8,827)
Charter air travel services charged by Thai AirAsia X Co. Ltd	(772)	-	(772)	-
In-flight entertainment system and solutions costs charged by Rokki Avionics Sdn Bhd	-	(12,242)	(19,095)	(12,242)
(d) <u>Key management compensation:</u>				
- Basic salaries, bonus, allowances and other employee benefits	24,638	20,523	23,078	19,509
- Defined contribution plan	2,879	2,503	2,692	2,362
	<u>27,517</u>	<u>23,026</u>	<u>25,770</u>	<u>21,871</u>

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

AIRASIA BERHAD
(Incorporated in Malaysia)

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

31 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(e) Receivables:				
<u>Subsidiaries</u>				
- AirAsia (Mauritius) Limited	-	-	-	40,911
- AirAsia Investment Limited	-	-	100,645	83,249
- MadCience Sdn Bhd	-	-	14,905	-
- AirAsia Global Shared Services Sdn Bhd	-	-	14,469	15,812
- Asia Aviation Capital Limited	-	-	274,104	-
- AirAsia Go Holiday Sdn Bhd	-	-	-	31,358
- Others	-	-	2,102	2,623
Amounts due from subsidiaries	-	-	406,225	173,953
<u>Joint ventures</u>				
- Asian Aviation Centre of Excellence Sdn Bhd	5,708	33,770	5,708	33,770
- AAE Travel Pte Ltd	-	17,418	-	662
Amounts due from joint ventures	5,708	51,188	5,708	34,432
<u>Associates</u>				
- Thai AirAsia Co. Ltd	84,247	11,525	29,710	10,966
- PT Indonesia AirAsia	534,087	1,411,097	510,775	1,410,431
- AirAsia Inc (including Zest Airway Inc)	842,149	950,910	722,454	860,487
- AirAsia (India) Private Limited	64,652	77,001	60,266	75,984
- Think Big Digital Sdn Bhd	3,183	4,200	3,183	4,200
- AirAsia Japan Co. Ltd	6,232	-	6,003	-
- Others	2,539	598	454	594
Amounts due from associates	1,537,089	2,455,331	1,332,845	2,362,662
<u>Related parties</u>				
- Caterhamjet Global Ltd	1,366	454	1,366	454
- Thai AirAsia X Co. Ltd	10,076	-	9,401	-
- PT Indonesia AirAsia Extra	25,115	-	-	-
- AirAsia X Berhad	6,009	-	3,735	-
- Others	1,285	2,725	1,285	2,690
Amounts due from related parties	43,851	3,179	15,787	3,144

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

31 **SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
(f) Payables:				
<u>Subsidiaries</u>				
- AirAsia Go Holiday Sdn Bhd	-	-	302,172	-
- AirAsia (Mauritius) Limited	-	-	38,813	-
- Others	-	-	231	-
Amounts due to subsidiaries	-	-	341,216	-
<u>Associates</u>				
- Thai AirAsia Co. Ltd	65,364	83,545	14,645	64,965
- AirAsia (India) Private Limited	10,852	-	6,977	-
- Zest Airways Inc	-	55,110	-	55,110
Amounts due to associates	76,216	138,655	21,622	120,075
<u>Related parties</u>				
- AirAsia X Berhad	-	13,979	-	13,979
- Thai AirAsia X Co. Ltd	-	6,116	-	6,116
- PT Indonesia AirAsia Extra	13,661	4,598	13,661	4,598
Amounts due to related parties	13,661	24,693	13,661	24,693

Company No.

284669

W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

32 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

<u>Group</u>	<u>Loans and receivables</u> RM'mil	<u>Assets at fair value through the profit and loss</u> RM'mil	<u>Derivatives used for hedging</u> RM'mil	<u>Available for sale</u> RM'mil	<u>Total</u> RM'mil
<u>31 December 2015</u>					
<u>Assets as per balance sheet</u>					
Available-for-sale financial assets	-	-	-	235	235
Receivables excluding prepayments	588	-	-	-	588
Amounts due from associates	1,537	-	-	-	1,537
Amounts due from joint ventures	6	-	-	-	6
Amounts due from related parties	44	-	-	-	44
Deposits on aircraft purchase	683	-	-	-	683
Derivative financial instruments	-	229	1,136	-	1,365
Deposits, cash and bank balances	2,427	-	-	-	2,427
Total	5,285	229	1,136	235	6,885
<u>31 December 2015</u>					
<u>Liabilities as per balance sheet</u>					
Borrowings (excluding finance lease liabilities)	-	-	-	11,731	11,731
Finance lease liabilities	-	-	-	882	882
Derivative financial instruments	108	712	712	-	820
Trade and other payables (excluding aircraft maintenance accruals)	-	-	-	2,042	2,042
Amount due to associates	-	-	-	76	76
Amount due to related party	-	-	-	14	14
Total	108	712	712	14,745	15,565

Company No.

284669 W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

32 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

<u>Group</u>	<u>Loans and receivables</u> RM'mil	<u>Assets at fair value through the profit and loss</u> RM'mil	<u>Derivatives used for hedging</u> RM'mil	<u>Available for sale</u> RM'mil	<u>Total</u> RM'mil
<u>31 December 2014</u>					
<u>Assets as per balance sheet</u>					
Available-for-sale financial assets	-	-	-	385	385
Receivables excluding prepayments	520	-	-	-	520
Amounts due from associates	2,455	-	-	-	2,455
Amounts due from joint ventures	51	-	-	-	51
Amounts due from related parties	3	-	-	-	3
Derivative financial instruments	-	62	606	-	668
Deposits, cash and bank balances	1,338	-	-	-	1,338
Total	4,367	62	606	385	5,420
<u>31 December 2014</u>					
<u>Liabilities as per balance sheet</u>					
Borrowings (excluding finance lease liabilities)	-	-	-	11,933	11,933
Finance lease liabilities	-	-	-	795	795
Derivative financial instruments	76	-	644	-	720
Trade and other payables (excluding aircraft maintenance accruals)	-	-	-	773	773
Amount due to associates	-	-	-	139	139
Amount due to a related party	-	-	-	25	25
Total	76	644	644	13,665	14,385

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

32 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

<u>Company</u>	<u>Loans and receivables</u> RM'mil	<u>Assets at fair value through the profit and loss</u> RM'mil	<u>Derivatives used for hedging</u> RM'mil	<u>Available for sale</u> RM'mil	<u>Total</u> RM'mil
<u>31 December 2015</u>					
<u>Assets as per balance sheet</u>					
Available-for-sale financial assets	-	-	-	235	235
Receivables excluding prepayments	507	-	-	-	507
Amounts due from subsidiaries	406	-	-	-	406
Amounts due from associates	1,333	-	-	-	1,333
Amounts due from joint ventures	6	-	-	-	6
Amounts due from related parties	16	-	-	-	16
Deposits on aircraft purchase	683	-	-	-	683
Derivative financial instruments	-	229	1,136	-	1,365
Deposits, cash and bank balances	2,263	-	-	-	2,263
Total	5,214	229	1,136	235	6,814

<u>Company</u>	<u>Liabilities at fair value through the profit and loss</u> RM'mil	<u>Derivatives used for hedging</u> RM'mil	<u>Other financial liabilities at amortised cost</u> RM'mil	<u>Total</u> RM'mil
<u>31 December 2015</u>				
<u>Liabilities as per balance sheet</u>				
Borrowings (excluding finance lease liabilities)	-	-	10,801	10,801
Finance lease liabilities	-	-	882	882
Derivative financial instruments	108	712	-	820
Trade and other payables (excluding aircraft maintenance accruals)	-	-	1,902	1,902
Amount due to associates	-	-	22	22
Amount due to subsidiaries	-	-	341	341
Amount due to related parties	-	-	14	14
Total	108	712	13,962	14,782

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

32 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

<u>Company</u>	<u>Loans and receivables</u> RM'mil	<u>Assets at fair value through the profit and loss</u> RM'mil	<u>Derivatives used for hedging</u> RM'mil	<u>Available for sale</u> RM'mil	<u>Total</u> RM'mil
<u>31 December 2014</u>					
<u>Assets as per balance sheet</u>					
Available-for-sale financial assets	-	-	-	385	385
Receivables excluding prepayments	456	-	-	-	456
Amounts due from subsidiaries	174	-	-	-	174
Amounts due from associates	2,363	-	-	-	2,363
Amounts due from joint ventures	34	-	-	-	34
Amounts due from related parties	3	-	-	-	3
Derivative financial instruments	-	62	606	-	668
Deposits, cash and bank balances	1,319	-	-	-	1,319
Total	4,349	62	606	385	5,402

<u>Company</u>	<u>Liabilities at fair value through the profit and loss</u> RM'mil	<u>Derivatives used for hedging</u> RM'mil	<u>Other financial liabilities at amortised cost</u> RM'mil	<u>Total</u> RM'mil
<u>31 December 2014</u>				
<u>Liabilities as per balance sheet</u>				
Borrowings (excluding finance lease liabilities)	-	-	11,933	11,933
Finance lease liabilities	-	-	795	795
Derivative financial instruments	76	644	-	720
Trade and other payables (excluding aircraft maintenance accruals)	-	-	782	782
Amount due to associates	-	-	120	120
Amount due to a related party	-	-	25	25
Total	76	644	13,655	14,375

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

32 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit quality of financial assets

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

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'mil	RM'mil	RM'mil	RM'mil
<u>Counterparties without external credit rating</u>				
Group 1	2	1	2	1
Group 2	109	149	83	111
	<u>111</u>	<u>150</u>	<u>85</u>	<u>112</u>
<u>Cash at bank and short term bank deposits</u>				
AAA to A-	1,855	1,323	1,688	1,304
BBB to B3	572	15	575	15
	<u>2,427</u>	<u>1,338</u>	<u>2,263</u>	<u>1,319</u>
<u>Derivative financial assets</u>				
AA+ to A+	115	55	115	55
A to BBB-	868	334	868	334
No rating	382	279	382	279
	<u>1,365</u>	<u>668</u>	<u>1,365</u>	<u>668</u>

AIRASIA BERHAD
(Incorporated in Malaysia)

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

32 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit quality of financial assets (continued)

	Group		Company	
	2015	2014	2015	2014
	RM'mil	RM'mil	RM'mil	RM'mil
<u>Amounts due from subsidiaries</u>				
Group 2	-	-	406	174
<u>Amounts due from joint ventures</u>				
Group 2	6	51	6	34
<u>Amounts due from associates</u>				
Group 2	1,537	2,455	1,333	2,363
<u>Amounts due from related parties</u>				
Group 2	44	3	16	3

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

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

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

All defaults were fully recovered.

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

Company No.

284669

W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

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

(a) Market risk

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

(i) Fuel price risk

The Group and Company are exposed to jet fuel price risk and seek to hedge their fuel requirements using fuel swaps (Note 18). If a barrel of jet fuel/Brent oil at 31 December 2014 and 31 December 2015 had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit and equity for the year are as follows:

	2015		Group and Company 2014	
	+USD5 RM'mil	-USD5 RM'mil	+USD5 RM'mil	-USD5 RM'mil
Impact on post-tax profits	3.8	(4.6)	-	-
Impact on other comprehensive income	58.2	(58.2)	52.6	(52.6)

AIRASIA BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is that risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

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

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

If interest rate on USD denominated borrowings at 31 December 2015 had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the year and equity arising from the cash flow interest rate risk would be minimal when considered with the hedging of the floating rate loans (Note 18).

If interest rate on USD denominated borrowings at 31 December 2015 had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the financial year and equity, as a result of an increase/decrease in the fair value of the interest rate derivative financial instruments under cash flow hedges are tabulated below. The impact on post-tax profits arises only from derivative held for trading, and the impact to other comprehensive income arises from derivative designated as hedging instruments:

	Group and Company			
	2015		2014	
	+60bps RM'mil	-60bps RM'mil	+60bps RM'mil	-60bps RM'mil
Impact on post tax profits	13.0	(12.8)	15.3	(15.2)
Impact on other comprehensive income	72.1	(76.2)	71.0	(74.9)

Company No.

284669

W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The remaining terms of the outstanding interest rate derivative contracts of the Group and Company at 31 December 2015, which are all denominated in USD, are as follows:

	<u>2015</u> RM'mil	<u>2014</u> RM'mil
<u>Later than 1 year but less than 5 years:</u>		
Interest rate caps	361	137
Interest rate swaps	1,496	688
Cross currency interest rate swaps	111	-
<u>Later than 5 years:</u>		
Interest rate caps	-	201
Interest rate swaps	2,258	2,673
Cross currency interest rate swaps	321	476
	<u>4,547</u>	<u>4,175</u>

(iii) Foreign currency risk

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

58% (2014: 51%) of USD denominated borrowings are hedged by long dated foreign exchange forward contracts (Note 18).

If RM had weakened/strengthened by 5% against the USD as at 31 December 2015 with all other variables held constant, post-tax profit for the financial year would have been RM293.9 million (2014: RM293.2 million) lower/higher. Similarly, the impact on other comprehensive income would have been RM15.9 million (2014: RM4.8 million) higher/lower due to the cash flow hedging in USD.

If RM had weakened/strengthened by 5% against the RMB as at 31 December 2015 with all other variables held constant, post-tax profit for the financial year would have been RM28.7 million (2014: RM38.9 million) lower/higher.

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

AIRASIA BERHAD
(Incorporated in Malaysia)

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

33 **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(a) **Market risk (continued)**

(iii) **Foreign currency risk (continued)**

The Group's currency exposure profile of financial instruments denominated in currencies other than the functional currency is as follows:

	<u>USD</u> RM'mil	<u>SGD</u> RM'mil	<u>RMB</u> RM'mil	<u>Others</u> RM'mil
<u>At 31 December 2015</u>				
<u>Financial assets</u>				
Receivables	387	-	-	57
Deposits on aircraft purchase	683	-	-	-
Amounts due from associates	1,534	-	-	-
Derivative financial instruments	1,365	-	-	-
Amount due from a related party	37	-	-	-
Deposits, cash and bank balances	1,013	43	765	150
	<u>5,019</u>	<u>43</u>	<u>765</u>	<u>207</u>
<u>Financial liabilities</u>				
Trade and other payables (excluding aircraft maintenance accruals)	787	17	-	10
Amounts due to associates	76	-	-	-
Amounts due to related parties	14	-	-	-
Borrowings	10,734	217	-	168
Derivative financial instruments	820	-	-	-
	<u>12,431</u>	<u>234</u>	<u>-</u>	<u>178</u>
Net exposure	<u>(7,412)</u>	<u>(191)</u>	<u>765</u>	<u>29</u>
<u>At 31 December 2014</u>				
<u>Financial assets</u>				
Receivables	212	9	36	67
Amounts due from associates	2,451	-	-	-
Amounts due from joint ventures	-	17	-	-
Derivative financial instruments	668	-	-	-
Amount due from a related party	3	-	-	-
Deposits, cash and bank balances	76	15	1,018	49
	<u>3,410</u>	<u>41</u>	<u>1,054</u>	<u>116</u>
<u>Financial liabilities</u>				
Trade and other payables (excluding aircraft maintenance accruals)	131	39	18	61
Amounts due to associates	139	-	-	-
Amounts due to related parties	11	-	-	-
Borrowings	10,100	202	-	140
Derivative financial instruments	720	-	-	-
	<u>11,101</u>	<u>241</u>	<u>18</u>	<u>201</u>
Net exposure	<u>(7,691)</u>	<u>(200)</u>	<u>1,036</u>	<u>(85)</u>

AIRASIA BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Company's currency exposure profile of financial instruments denominated in currencies other than the functional currency is as follows:

	<u>USD</u> RM'mil	<u>SGD</u> RM'mil	<u>RMB</u> RM'mil	<u>Others</u> RM'mil
<u>At 31 December 2015</u>				
<u>Financial assets</u>				
Receivables	319	-	-	57
Amounts due from subsidiaries	375	-	-	-
Amounts due from associates	1,330	-	-	-
Amounts due from related parties	11	-	-	-
Deposits on aircraft purchase	683	-	-	-
Derivative financial instruments	1,365	-	-	-
Deposits, cash and bank balances	900	13	765	150
	<u>4,983</u>	<u>13</u>	<u>765</u>	<u>207</u>
<u>Financial liabilities</u>				
Trade and other payables (excluding aircraft maintenance accruals)	769	17	-	10
Amounts due to subsidiaries	39	-	-	-
Amounts due to associates	22	-	-	-
Amounts due to related parties	14	-	-	-
Borrowings	9,829	217	-	144
Derivative financial instruments	820	-	-	-
	<u>11,493</u>	<u>234</u>	<u>-</u>	<u>154</u>
Net exposure	<u>(6,510)</u>	<u>(221)</u>	<u>765</u>	<u>53</u>
<u>At 31 December 2014</u>				
<u>Financial assets</u>				
Receivables	154	9	36	67
Amounts due from subsidiaries	125	-	-	-
Amounts due from associates	2,358	-	-	-
Amounts due from joint ventures	-	1	-	-
Amount due from related parties	3	-	-	-
Derivative financial instruments	668	-	-	-
Deposits, cash and bank balances	59	15	1,018	49
	<u>3,367</u>	<u>25</u>	<u>1,054</u>	<u>116</u>
<u>Financial liabilities</u>				
Trade and other payables (excluding aircraft maintenance accruals)	144	39	18	61
Amount due to an associate	120	-	-	-
Amounts due to related parties	11	-	-	-
Borrowings	10,100	202	-	140
Derivative financial instruments	720	-	-	-
	<u>11,095</u>	<u>241</u>	<u>18</u>	<u>201</u>
Net exposure	<u>(7,728)</u>	<u>(216)</u>	<u>1,036</u>	<u>(85)</u>

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit risk

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

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

Credit risks are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised by monitoring receivables regularly. In addition, credit risks are also controlled as majority of the Group's and Company's deposits and bank balances and derivative financial instruments are placed or transacted with major financial institutions and reputable parties. The Directors are of the view that the possibility of non-performance by the majority of these financial institutions is remote on the basis of their financial strength and support of their respective governments. The credit quality of financial assets that are neither past due nor impaired are disclosed in Note 32(b) to the financial statements.

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

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk

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

The Directors are committed to ensuring that the Group and Company will have sufficient funds to enable the Group and Company to meet their liabilities as they fall due and to carry on their business without significant curtailment of operations, including raising funds from the market.

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

	Less than <u>1 year</u> RM'mil	<u>1 – 2 years</u> RM'mil	<u>2-5 years</u> RM'mil	<u>Over 5 years</u> RM'mil
<u>Group</u>				
<u>At 31 December 2015</u>				
Term loans	1,908	1,657	4,709	3,909
Finance lease liabilities	148	149	417	385
Commodity Murabahah				
Finance	85	84	245	394
Revolving credit	732	-	-	-
Trade and other payables (excluding aircraft maintenance accrual)	1,512	530	-	-
Amounts due to associates	-	-	-	76
Amounts due to related parties	14	-	-	-
	<u>4,399</u>	<u>2,420</u>	<u>5,371</u>	<u>4,764</u>

AIRASIA BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

	Less than <u>1 year</u> RM'mil	<u>1 - 2 years</u> RM'mil	<u>2-5 years</u> RM'mil	<u>Over 5 years</u> RM'mil
<u>Group (continued)</u>				
<u>At 31 December 2014</u>				
Term loans	1,830	1,520	4,753	4,448
Finance lease liabilities	120	121	380	396
Commodity Murabahah				
Finance	85	85	254	469
Revolving credit	765	-	-	-
Trade and other payables	773	-	-	-
Amounts due to associates	55	-	-	84
Amounts due to related parties	25	-	-	-
	<u>3,653</u>	<u>1,726</u>	<u>5,387</u>	<u>5,397</u>
<u>Company</u>				
<u>At 31 December 2015</u>				
Term loans	1,746	1,494	4,218	3,655
Finance lease liabilities	148	149	417	385
Commodity Murabahah				
Finance	85	84	245	394
Revolving credit	732	-	-	-
Trade and other payables (excluding aircraft maintenance accruals)	1,401	501	-	-
Amounts due to subsidiaries	341	-	-	-
Amounts due to associates	-	-	-	22
Amounts due to related parties	14	-	-	-
	<u>4,467</u>	<u>2,228</u>	<u>4,880</u>	<u>4,456</u>
<u>At 31 December 2014</u>				
Term loans	1,830	1,520	4,753	4,448
Finance lease liabilities	120	121	380	396
Commodity Murabahah				
Finance	85	85	254	469
Revolving credit	765	-	-	-
Trade and other payables	782	-	-	-
Amounts due to associates	55	-	-	65
Amounts due to related parties	25	-	-	-
	<u>3,662</u>	<u>1,726</u>	<u>5,387</u>	<u>5,378</u>

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

	Less than <u>1 year</u> RM'mil	<u>1 - 2 years</u> RM'mil	<u>2 - 5 years</u> RM'mil	<u>Over 5 years</u> RM'mil
<u>Group and Company</u>				
<u>At 31 December 2015</u>				
<u>Net-settled derivatives</u>				
Trading	37	19	26	-
Hedging	580	52	63	5
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Gross-settled derivatives</u>				
Trading – outflow	-	-	-	-
Trading – inflow	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>At 31 December 2014</u>				
<u>Net-settled derivatives</u>				
Trading	28	20	27	3
Hedging	529	55	60	5
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Gross-settled derivatives</u>				
Trading – outflow	-	-	-	-
Trading – Inflow	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

AIRASIA BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(d) Capital risk management

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

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

The Group's and Company's overall strategy remains unchanged from 2014.

Consistent with others in the industry, the Group and Company monitors capital utilisation on the basis of the net gearing ratio. This net gearing ratio is calculated as net debts divided by total equity. Net debts are calculated as total borrowings (including "short term and long term borrowings" as shown in the Group's and Company's balance sheet) less deposit, cash and bank balances.

The net gearing ratio as at 31 December 2015 and 31 December 2014 was as follows:

	Group		Company	
	2015 RM'mil	2014 RM'mil	2015 RM'mil	2014 RM'mil
Total borrowings (Note 25)	12,613	12,728	11,683	12,728
Less: Deposit, cash and bank balances	(2,427)	(1,338)	(2,263)	(1,319)
Net debts	<u>10,186</u>	<u>11,390</u>	<u>9,420</u>	<u>11,409</u>
Total equity	<u>4,451</u>	<u>4,555</u>	<u>3,671</u>	<u>4,221</u>
Net Gearing Ratio (times)	2.29	2.50	2.57	2.70

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2015 and 31 December 2014.

AIRASIA BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement

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

Determination of fair value and fair value hierarchy

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

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

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

	<u>Level 1</u> RM'mil	<u>Level 2</u> RM'mil	<u>Level 3</u> RM'mil	<u>Total</u> RM'mil
<u>Group</u>				
<u>31 December 2015</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	229	-	229
Derivatives used for hedging	-	1,136	-	1,136
Available-for-sale investments	235	-	-	235
	<u>235</u>	<u>1,365</u>	<u>-</u>	<u>1,600</u>
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	108	-	108
Derivatives used for hedging	-	712	-	712
	<u>-</u>	<u>820</u>	<u>-</u>	<u>820</u>

Company No.

284669 W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

<u>Group</u>	<u>Level 1</u> RM'mil	<u>Level 2</u> RM'mil	<u>Level 3</u> RM'mil	<u>Total</u> RM'mil
<u>31 December 2014</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	62	-	62
Derivatives used for hedging	-	606	-	606
Available-for-sale investments	385	-	-	385
	<u>385</u>	<u>668</u>	<u>-</u>	<u>1,053</u>
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	76	-	76
Derivatives used for hedging	-	644	-	644
	<u>-</u>	<u>720</u>	<u>-</u>	<u>720</u>
<u>Company</u>				
<u>31 December 2015</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	229	-	229
Derivatives used for hedging	-	1,136	-	1,136
Available-for-sale investments	235	-	-	235
	<u>235</u>	<u>1,365</u>	<u>-</u>	<u>1,600</u>
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	108	-	108
Derivatives used for hedging	-	712	-	712
	<u>-</u>	<u>820</u>	<u>-</u>	<u>820</u>

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

	<u>Level 1</u> RM'mil	<u>Level 2</u> RM'mil	<u>Level 3</u> RM'mil	<u>Total</u> RM'mil
<u>31 December 2014</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	62	-	62
Derivatives used for hedging	-	606	-	606
Available-for-sale investments	385	-	-	385
	<u>385</u>	<u>668</u>	<u>-</u>	<u>1,053</u>
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	76	-	76
Derivatives used for hedging	-	644	-	644
	<u>-</u>	<u>720</u>	<u>-</u>	<u>720</u>

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

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

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

AIRASIA BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

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

34 UNCONSOLIDATED STRUCTURED ENTITIES

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

The SPC are orphan trust companies in which the Company has no equity interest. The SPC do not incur any losses or earn any income during the financial year ended 31 December 2015. The aircraft and the corresponding term loans and finance costs associated with the SPC have been recognised by the Group and Company upon the purchase of the aircraft.

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

The details of the Merah entities are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Purpose</u>
Merah Satu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tiga Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Empat Sdn Bhd	Malaysia	Aircraft financing special purpose company
Merah Lima Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Enam Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tujuh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Sembilan 9M-AFX Sdn Bhd	Malaysia	Aircraft financing special purpose company
Merah Sepuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Sebelas Limited	Labuan, Malaysia	Aircraft financing special purpose company

AIRASIA BERHAD
(Incorporated in Malaysia)

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

34 UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

The details of the Merah entities are as follows: (continued)

<u>Name</u>	<u>Country of incorporation</u>	<u>Purpose</u>
Merah Duabelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigabelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Empatbelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Enambelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Lapanbelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhsatu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhtiga Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhlima Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluh tujuh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhlapan Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhsembilan Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhsatu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhdua Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhempat Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhenam Limited	Labuan, Malaysia	Aircraft financing special purpose company

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

35 SUBSEQUENT EVENTS

On 3 February 2016, the Company entered into a Share Sale Agreement with Tune Money International Sdn. Bhd. for the acquisition of up to 2,072,000 ordinary shares of RM1.00 each ("Shares") representing 25.8% equity interest in the issued and paid up ordinary share capital of Think BIG Digital Sdn. Bhd. ("BIG") for a cash consideration of RM101.5 million. Subsequent to this, the Company's equity stake in BIG has increased to 71.9% and the investment in BIG will be reclassified from an investment in associate to investment in subsidiary.

On 4 February 2016, the Competition Appeal Tribunal ruled in favour of the Company in connection with the RM10 million fine imposed by the Malaysian Competition Commission (MyCC) which was disclosed as a contingent liability as at 31 December 2014. Following this, the Group and Company have no contingent liabilities as at 31 December 2015.

36 RECLASSIFICATION OF COMPARATIVES

For the financial year ended 31 December 2015, the presentation of the 'share of results of associates' and 'share of results of joint ventures' was changed to better reflect the operating performance of the Group.

Previously, 'share of results of associates' and 'share of results of joint ventures' was included in the operating profit of the Group. Comparatives have been re-presented to align with the current year's presentation.

Company No.

284669	W
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AIRASIA BERHAD
(Incorporated in Malaysia)

SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

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

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of AirAsia Berhad and its subsidiaries:				
- Realised	5,771,224	2,906,177	4,237,044	2,633,804
- Unrealised	(1,698,954)	(91,609)	(1,705,832)	(91,712)
	<u>4,072,270</u>	<u>2,814,568</u>	<u>2,531,212</u>	<u>2,542,092</u>
Total share of accumulated gains from associated companies:				
- Realised	(821,968)	3,521	-	-
Total share of accumulated gains from joint ventures				
- Realised	<u>105,438</u>	<u>79,946</u>	<u>-</u>	<u>-</u>
Total retained earnings as per consolidated financial statements	<u><u>3,355,740</u></u>	<u><u>2,898,035</u></u>	<u><u>2,531,212</u></u>	<u><u>2,542,092</u></u>

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

Company No.

284669

W

AIRASIA BERHAD
(Incorporated in Malaysia)

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

We, Datuk Kamarudin Bin Meranun and Aireen Omar, being two of the Directors of AirAsia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 6 to 125 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2015 and of the results and the cash flows of the Group and Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

The supplementary information set out in page 126 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as Issued by the Malaysian Institute of Accountants.

In accordance with a resolution of the Board of Directors dated 31 March 2016



DATUK KAMARUDIN BIN MERANUN
DIRECTOR



AIREEN OMAR
DIRECTOR

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

I, How Kim Lian, the Officer primarily responsible for the financial management of AirAsia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 125 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



HOW KIM LIAN

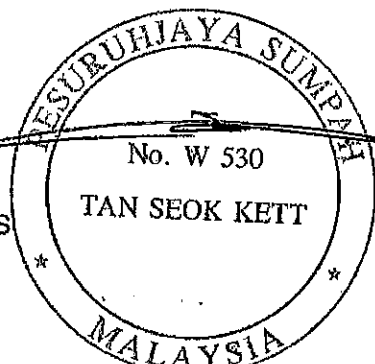
Subscribed and solemnly declared by the abovenamed How Kim Lian at Petaling Jaya in Malaysia on 31 March 2016, before me.

KUALA LUMPUR



COMMISSIONER FOR OATHS

Lot 350, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50200 Kuala Lumpur.





INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRASIA BERHAD
(Incorporated in Malaysia)
(Company No. 284669 W)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AirAsia Berhad on pages 6 to 125, which comprise the balance sheets as at 31 December 2015 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 36.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRASIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 284669 W)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in page 126 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRASIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 284669 W)

OTHER MATTERS

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

A handwritten signature in black ink, appearing to read 'PwC' or similar, written over the printed name of the firm.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Irvin George Luis Menezes', written over the printed name of the accountant.

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

Kuala Lumpur
31 March 2016