

AIRASIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

10 INVESTMENT IN JOINT VENTURES (CONTINUED)

Summarised statements of comprehensive income

	AACOE		AAE Travel		Total	
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	85,432	88,927	438,823	312,409	524,255	401,336
Depreciation and amortisation	(19,111)	(17,633)	(6,606)	(3,084)	(25,717)	(20,717)
Interest income	-	-	-	12,499	-	12,499
Interest expense	(4,139)	(2,102)	-	-	(4,139)	(2,102)
Profit before taxation	24,075	23,128	43,658	18,027	67,733	41,155
Tax income/(expense)	49,190	(12,208)	(2,391)	(1,750)	46,799	(13,958)
Profit after taxation and total comprehensive income	<u>73,265</u>	<u>10,920</u>	<u>41,267</u>	<u>16,277</u>	<u>114,532</u>	<u>27,197</u>
Dividends received from joint ventures	-	-	-	-	-	-

Reconciliations of summarised financial information

	AACOE		AAE Travel		Total	
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening net assets at 1 January	206,302	195,382	62,406	46,129	268,708	241,511
Profit after taxation and total comprehensive income	<u>73,265</u>	<u>10,920</u>	<u>41,267</u>	<u>16,277</u>	<u>114,532</u>	<u>27,197</u>
Closing net assets at 31 December	<u>279,567</u>	<u>206,302</u>	<u>103,673</u>	<u>62,406</u>	<u>383,240</u>	<u>268,708</u>
Interest in joint ventures at 50%	<u>139,784</u>	<u>103,151</u>	<u>51,837</u>	<u>31,203</u>	<u>191,620</u>	<u>134,354</u>
Carrying value at 31 December	<u>139,784</u>	<u>103,151</u>	<u>51,837</u>	<u>31,203</u>	<u>191,620</u>	<u>134,354</u>

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11 INVESTMENT IN ASSOCIATES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Unquoted investments, at cost	169,434	139,056	3,760	29
Share of post-acquisition profits	91,720	121,427	-	-
Share of post-acquisition reserves	(30,700)	-	-	-
	230,454	260,483	3,760	29

The details of the associates are as follows:

<u>Name of entity</u>	<u>Principal place of business/ country of incorporation</u>	<u>Group's effective equity interest</u>		<u>Principal activities</u>
		<u>2014</u>	<u>2013</u>	
		%	%	
AirAsia Philippines Inc	Philippines	39.9	39.9	Providing air transportation services, currently dormant
Asian Contact Centres Sdn. Bhd.	Malaysia	50.0	50.0	Providing end-to-end solutions for customers contact management and contact centre
Think Big Digital Sdn Bhd ("BIG")	Malaysia	47.8	50.0*	Financial services
<u>Held by AAIL</u>				
PT Indonesia AirAsia ("IAA")	Indonesia	48.9	48.9	Commercial air transport services
Thai AirAsia Co. Ltd ("TAA")	Thailand	45.0	45.0	Commercial air transport services
AirAsia Go Holiday Co. Ltd	Thailand	49.0	49.0	Tour operating business, currently dormant
AirAsia Inc ("PAA")	Philippines	40.0	40.0	Commercial air transport services
AirAsia (India) Private Limited ("AAIPL")	India	49.0	49.0	Commercial air transport services
AirAsia Japan Co., Ltd ("JAA")	Japan	49.0	-	Commercial air transport services – currently not operating

* Classified as investment in joint venture (Note 10)

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11 INVESTMENT IN ASSOCIATES (CONTINUED)

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

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

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

BIG is a strategic partner of the Company and is based in Malaysia. BIG provides expertise in the operation of an airline loyalty scheme which will enable the Company to earn incremental revenue from the redemption of loyalty points issued by BIG.

Acquisition of interests in associates during the financial year ended 31 December 2014

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

On 29 January 2014, the Company entered into a new Shareholders' Agreement with Tune Money International Sdn. Bhd. ("TMI") and Aimia Holdings UK II Limited ("Aimia") for the inclusion of Aimia as a shareholder in Think Big Digital Sdn Bhd ("BIG"). On 10 February 2014, the Company acquired additional interest in BIG of 3,700,000 ordinary shares, diluting the Group's interest to 47.8% (2013: 50%) for a consideration of RM3.7 million.

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

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11 **INVESTMENT IN ASSOCIATES (CONTINUED)**

Summarised financial information for associates

Set out below are the summarised financial information for the associates which are accounted for using the equity method:

	JAA		AAIPL		TAA		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Current</u>								
Cash and cash equivalents	12,528	-	57,133	23,169	508,551	196,152	578,212	219,321
Other current assets	62	-	6,883	739	249,531	617,874	256,476	618,613
Total current assets	12,590	-	64,016	23,908	758,082	814,026	834,688	837,934
Financial liabilities (excluding trade payables)	(157)	-	(49,112)	(191)	(185,213)	(707,978)	(234,482)	(708,169)
Other current liabilities (including trade payables)	(780)	-	(16,419)	-	(683,532)	(15,230)	(700,731)	(15,230)
Total current liabilities	(937)	-	(65,531)	(191)	(868,745)	(723,208)	(935,213)	(723,399)
<u>Non-current</u>								
Assets	1,013	-	1,905	383	1,839,295	1,257,240	1,842,213	1,257,623
Liabilities	-	-	-	-	(1,230,728)	(795,449)	(1,230,728)	(795,449)
Net assets	12,666	-	390	24,100	497,904	552,609	510,960	576,709

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11 **INVESTMENT IN ASSOCIATES (CONTINUED)**

Summarised financial information for associates (continued)

Summarised statement of comprehensive income

	JAA		AAIPL		TAA		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2	-	45,551	-	2,554,999	2,408,378	2,600,552	2,408,378
Depreciation and amortisation	(88)	-	(195)	(4)	(81,037)	(38,381)	(81,320)	(38,385)
Interest income	-	-	531	385	29,658	43,063	30,189	43,448
Interest expense	-	-	(1,460)	-	(21,990)	(6,611)	(23,450)	(6,611)
(Loss)/profit before taxation	(19,690)	-	(45,677)	(6,398)	13,997	263,739	(51,370)	257,341
Tax (income)/expense	13	-	(68)	-	(484)	(67,093)	(539)	(67,093)
(Loss)/profit after taxation	(19,677)	-	(45,745)	(6,398)	13,513	196,646	(51,909)	190,248
Other comprehensive income	-	-	-	-	(68,222)	1,307	(68,222)	1,307
Total comprehensive (loss)/income	(19,677)	-	(45,745)	(6,398)	(54,709)	197,953	(120,131)	191,555
Dividends received from associates	-	-	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)**11 INVESTMENT IN ASSOCIATES (CONTINUED)**Summarised financial information for associates (continued)Reconciliations of summarised financial information

	JAA		AAIPL		TAA		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening net assets at 1 January	-	-	24,100	-	552,609	361,878	576,709	361,878
Investment during the financial year	32,343	-	22,041	30,498	-	-	54,384	30,498
Impact of adoption of new standard on retained earnings	-	-	-	-	-	(2,770)	-	(2,770)
(Loss)/profit for the financial year	(19,677)	-	(45,745)	(6,398)	13,513	196,646	(51,909)	190,248
Other comprehensive income/(loss)	-	-	-	-	(68,222)	1,307	(68,222)	1,307
Foreign exchange differences	-	-	(6)	-	4	(4,452)	(2)	(4,452)
Closing net assets at 31 December	12,666	-	390	24,100	497,904	552,609	510,960	576,709
Interest in associates at 49%, 49%, 45%	6,206	-	191	11,809	224,057	248,674	230,454	260,483
Carrying value at 31 December	6,206	-	191	11,809	224,057	248,674	230,454	260,483

The Group has discontinued the recognition of its share of losses incurred by IAA, PAA and BIG as the Group's interests in IAA, PAA and BIG had been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of these associates. The Group's share of losses of IAA, PAA and BIG for the current financial year, which have not been equity accounted for, amounted to RM115.6 million, RM36.7 million and RM10.6 million respectively. As at 31 December 2014, the unrecognised amounts of the Group's share of losses of IAA, PAA and BIG which have not been equity accounted for amounted to RM334.1 million (2013: RM218.5 million), RM102.5 million (2013: RM65.8 million) and RM22.9 million (2013: RM16.0 million) respectively.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

12 OTHER INVESTMENTS

Other investments are accounted as available-for-sale financial assets, in accordance with MFRS 139 'Financial Instruments: Recognition and Measurement'.

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
<u>Non-current</u>				
At 1 January	571,895	308,792	561,770	295,982
Disposal	(44,584)	-	(44,584)	-
Fair value (loss)/gain – recognised in other comprehensive income	(132,396)	265,788	(132,396)	265,788
Impairment loss charged for the year	(10,125)	(2,685)	-	-
At 31 December	<u>384,790</u>	<u>571,895</u>	<u>384,790</u>	<u>561,770</u>

Movements on the impairment of other investments are as follows:

	<u>Group</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
At 1 January	2,685	-
Impairment	10,125	2,685
At 31 December	<u>12,810</u>	<u>2,685</u>

13 GOODWILL

	<u>Group</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
<u>Cost</u>		
At 1 January and 31 December	<u>7,334</u>	<u>7,334</u>

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

	<u>Group</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
<u>Cost</u>		
AirAsia Investment Ltd	<u>7,334</u>	<u>7,334</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (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:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax assets	<u>466,968</u>	<u>381,195</u>	<u>466,968</u>	<u>381,195</u>

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At start of financial year	381,195	361,396	381,195	361,396
(Charged)/credited to income statements (Note 6)				
- Property, plant and equipment	(80,109)	(68,100)	(80,109)	(68,100)
- Tax incentives	165,882	88,267	165,882	88,267
- Tax losses	-	(368)	-	(368)
	<u>85,773</u>	<u>19,799</u>	<u>85,773</u>	<u>19,799</u>
At end of financial year	<u>466,968</u>	<u>381,195</u>	<u>466,968</u>	<u>381,195</u>
Deferred tax assets (before offsetting)				
Tax incentives	1,338,681	1,172,799	1,338,681	1,172,799
Tax losses	8,803	8,803	8,803	8,803
	<u>1,347,484</u>	<u>1,181,602</u>	<u>1,347,484</u>	<u>1,181,602</u>
Offsetting	(880,516)	(800,407)	(880,516)	(800,407)
Deferred tax assets (after offsetting)	<u>466,968</u>	<u>381,195</u>	<u>466,968</u>	<u>381,195</u>

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14 DEFERRED TAXATION (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(880,516)	(800,407)	(880,516)	(800,407)
Offsetting	880,516	800,407	880,516	800,407
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred tax liabilities (after offsetting)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	-	-	-

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.

The Ministry of Finance granted approval to the Company under Section 127 of Income Tax Act, 1967 for income tax exemption in the form of an Investment Allowance ("IA") of 60% on qualifying expenditure incurred within a period of 5 years commencing 1 July 2009 to 30 June 2014, to be set off against 70% of the statutory income for each year of assessment. On 14 November 2014, the Company had obtained an extension of IA of 50% on qualifying expenditure incurred within a period of 5 years commencing 1 July 2014 to 30 June 2019, to be set off against 50% of the statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

15 RECEIVABLES AND PREPAYMENTS

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
<u>Non-current:</u>				
Trade receivables	28,141	28,141	28,141	28,141
Less: Allowance for impairment	(3,697)	(3,697)	(3,697)	(3,697)
	24,444	24,444	24,444	24,444
Prepayments	975,500	695,538	975,500	695,538
Deposits for maintenance of aircraft	62,643	70,595	62,643	70,595
Other deposits	69,917	56,996	51,337	56,996
	<u>1,132,504</u>	<u>847,573</u>	<u>1,113,924</u>	<u>847,573</u>
<u>Current:</u>				
Trade receivables	128,963	129,341	90,031	115,326
Less: Allowance for impairment	(3,316)	(3,316)	(3,316)	(3,316)
	125,647	126,025	86,715	112,010
Other receivables	176,216	197,346	162,392	174,868
Less: Allowance for impairment	(30,587)	(14,917)	(22,307)	(12,435)
	145,629	182,429	140,085	162,433
Prepayments	320,237	276,628	320,060	276,487
Deposits – cash collateral for derivatives	44,594	122,142	44,594	122,142
Other deposits	46,802	24,282	46,572	24,164
	<u>682,909</u>	<u>731,506</u>	<u>638,026</u>	<u>697,236</u>

Credit terms of trade receivables range from 30 to 60 days (2013: 30 to 60 days).

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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 RM428,644,000 and RM365,358,000 (2013: RM223,802,000 and RM189,791,000) 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 RM91,032,000 (2013: RM166,092,000) 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:

	<u>Group and Company</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
1 to 90 days	30,263	70,621
91 to 120 days	9,086	5,729
121 to 180 days	11,519	58,083
181 to 365 days	9,340	3,466
Over 365 days	6,380	3,749
	<u>66,588</u>	<u>141,648</u>

Receivables that are past due but not impaired included in non-current asset at the balance sheet date relates to an amount due from a customer of RM24,444,000 (2013: RM24,444,000) for which arbitration proceedings are currently ongoing. However, the Directors of the Company have assessed the recoverability of the amount and is of the view that the balance of RM24,444,000 is recoverable.

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

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

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
Over 365 days	37,600	21,930	29,320	19,448
Less: Allowance for impairment	(37,600)	(21,930)	(29,320)	(19,448)
	<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.

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15 RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	21,930	3,066	19,448	3,066
Written-off	(14,981)	-	(14,981)	-
Impairment (Note 3)	30,651	18,864	24,853	16,382
At 31 December	<u>37,600</u>	<u>21,930</u>	<u>29,320</u>	<u>19,448</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:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	195,538	151,375	189,758	151,323
US Dollar	211,769	160,880	154,263	126,803
Others	112,369	294,658	112,369	294,658
	<u>519,676</u>	<u>606,913</u>	<u>456,390</u>	<u>572,784</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 amounts advanced towards the final cost of aircraft to be delivered to the Company.

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17 AMOUNTS DUE FROM/(TO) ASSOCIATES

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
Amounts due from associates				
- current	153,803	738,735	148,907	689,372
- non-current	2,301,528	559,190	2,213,755	478,564
	<u>2,455,331</u>	<u>1,297,925</u>	<u>2,362,662</u>	<u>1,167,936</u>
Amounts due to associates				
- current	(55,110)	(467)	(55,110)	(467)
- non-current	(83,545)	(60,859)	(64,965)	(60,859)
	<u>(138,655)</u>	<u>(61,326)</u>	<u>(120,075)</u>	<u>(61,326)</u>

Amounts due from associates include an amount of RM458,715,000 (2013: RM465,206,000) 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, RM401,552,000 (2013: RM413,676,000) is repayable after 12 months. The Company holds the aircraft as collateral. Other amounts due from associates were charged interest at 6% per annum.

In addition, the amounts due from associates include advances to AirAsia Inc. ("PAA") of RM431.3 million (2013: RM64.9 million). These advances are repayable over a term of up to 5 years from drawdown date. These advances are subject to interest of 6% per annum.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (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 RM1,212,867,000 and RM1,125,035,000 (2013: RM972,189,000 and RM842,489,000) 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 RM1,242,464,000 and RM1,237,627,000 respectively (2013: RM325,736,000 and RM325,447,000). The ageing analysis of these amounts is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Up to 1 year	1,152,690	233,532	1,147,853	233,243
Over 1 year	89,774	92,204	89,774	92,204
	1,242,464	325,736	1,237,627	325,447

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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Amounts due from associates				
- US Dollar	2,451,131	1,297,925	2,358,462	1,167,936
- Ringgit Malaysia	4,200	-	4,200	-
	2,455,331	1,297,925	2,362,662	1,167,936
Amounts due to associates				
- US Dollar	(138,655)	(61,326)	(120,075)	(61,326)
	(138,655)	(61,326)	(120,075)	(61,326)

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

18 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company			
	2014		2013	
	<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	988	(199,743)	17,266	(195,490)
Interest rate swaps				
– held for trading	-	(48,352)	-	(56,278)
Interest rate caps				
– held for trading	1,732	-	4,570	-
Forward foreign exchange				
contracts – cash flow hedges	326,310	-	182,307	-
Forward foreign exchange				
contracts – held for trading	52,656	-	31,522	-
Total	381,686	(248,095)	235,665	(251,768)
<u>Current</u>				
Interest rate swaps				
– held for trading	-	(27,574)	-	(29,309)
Forward foreign exchange				
contracts – held for trading	7,364	-	1,282	(236)
Commodity derivatives				
– cash flow hedges	278,934	(444,630)	1,891	-
Total	286,298	(472,204)	3,173	(29,545)

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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

18 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	2014		2013	
	Notional amount RM'000	Fair value RM'000	Notional amount RM'000	Fair value RM'000
Interest rate caps	338,689	1,732	357,569	4,570
Interest rate swaps	3,360,539	(274,681)	3,467,775	(263,811)
Cross currency interest rate swaps	476,242	27,384	151,869	1,225
Forward foreign exchange contracts	2,786,088	358,946	3,224,321	213,650
Commodity derivatives	3,012,001*	(165,696)	77,328*	1,891

*: 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 2014 were RM3.262 billion (2013: RM3.376 billion).

As at 31 December 2014, the Group has hedged approximately 51% (2013: 54%) 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 3.2375 (2013: 3.2239). Gains and losses recognised in the hedging reserve in equity on hedging instruments as of 31 December 2014 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 2014 were RM3.699 billion (2013: RM3.825 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 2014. As at 31 December 2014, the Group has hedged RM916.9 million (2013: RM895.5 million) of its existing aircraft loans at rates from 1.80% to 5.20% per annum (2013: 1.80% to 5.20% per annum) via interest rate swaps, interest rate caps and cross-currency swaps. As at 31 December 2014, the Group has hedged RM2.485 billion (2013: RM2.199 billion) of the term loans and RM722.3 million (2013: RM734.0 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 2014 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).

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

18 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Fuel contracts

The outstanding number of barrels of Singapore Jet Kerosene derivative contracts at 31 December 2014 was 3,012,001 barrels (2013: 77,328).

As at 31 December 2014, the Group has entered into Singapore Jet Kerosene fixed swap which represents up to 50% (2013: 7%) of the Group's total expected fuel volume for the financial year 2015. 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 fuel contracts as of 31 December 2014 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Consumables, in-flight merchandise and others	18,152	29,520	18,152	29,520

20 AMOUNTS DUE FROM SUBSIDIARIES AND RELATED PARTIES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Amounts due from subsidiaries	-	-	194,243	196,426
Less: Allowance for impairment	-	-	(20,290)	(5,306)
	-	-	173,953	191,120
Amounts due from related parties	3,179	6,113	3,144	6,113
	3,179	6,113	177,097	197,233

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	-	-	5,306	-
Less: Allowance for impairment	-	-	14,984	5,306
At 31 December	-	-	20,290	5,306

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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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	454	2,164	49,860	15,462
US Dollar	2,725	3,949	127,237	181,771
	<u>3,179</u>	<u>6,113</u>	<u>177,097</u>	<u>197,233</u>

21 AMOUNTS DUE FROM/(TO) JOINT VENTURES

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
Amounts due from joint ventures	<u>51,188</u>	<u>33,703</u>	<u>34,432</u>	<u>11,431</u>
Amount due to a joint venture	<u>-</u>	<u>-</u>	<u>-</u>	<u>(151)</u>

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

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

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
Amounts due from joint ventures:				
- Ringgit Malaysia	33,770	1,604	33,770	1,604
- US Dollar	-	9,827	-	9,827
- Singapore Dollar	17,418	22,272	662	-
	<u>51,188</u>	<u>33,703</u>	<u>34,432</u>	<u>11,431</u>
Amount due to a joint venture:				
- US Dollar	<u>-</u>	<u>-</u>	<u>-</u>	<u>(151)</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

22 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits, cash and bank balances	1,337,849	1,380,435	1,319,085	1,306,926

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	180,190	145,227	178,453	141,425
US Dollar	75,581	188,148	58,616	118,498
Singapore Dollar	15,350	26,535	15,293	26,483
Australian Dollar	8,484	25,687	8,484	25,687
Chinese Renminbi	1,017,429	910,944	1,017,429	910,944
Hong Kong Dollar	13,129	12,217	13,129	12,216
India Rupee	6,243	21,422	6,243	21,422
Thai Baht	1,143	3,911	1,139	3,907
Indonesian Rupiah	5,233	9,807	5,233	9,807
Brunei Dollar	300	3,020	300	3,020
Euro	1,281	10,192	1,281	10,192
Philippine Peso	712	2,270	712	2,270
Vietnamese Dong	7,773	8,952	7,773	8,952
British Pound	1,502	5,639	1,501	5,639
Others	3,499	6,464	3,499	6,464
	1,337,849	1,380,435	1,319,085	1,306,926

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

	Group		Company	
	2014 %	2013 %	2014 %	2013 %
Deposits with licensed banks	3.21	3.23	3.21	3.23

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

23 **TRADE AND OTHER PAYABLES**

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
<u>Non-current:</u>				
Aircraft maintenance accruals	1,212,044	918,864	1,212,044	918,864
<u>Current:</u>				
Trade payables	100,227	71,899	55,622	37,841
Accrual for fuel	199,749	224,239	199,749	224,239
Other payables and accruals	473,152	448,860	526,207	398,229
	773,128	744,998	781,578	660,309

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

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

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
RM	524,135	451,680	519,484	412,672
USD	1,343,101	1,106,327	1,356,202	1,081,069
Others	117,936	105,855	117,936	85,432
	1,985,172	1,663,862	1,993,622	1,579,173

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

24 AMOUNTS DUE TO A SUBSIDIARY AND RELATED PARTIES

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

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

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
Amounts due to a subsidiary and related parties:				
- Ringgit Malaysia	13,979	15,145	13,979	25,330
- US Dollar	10,714	-	10,714	-
	<u>24,693</u>	<u>15,145</u>	<u>24,693</u>	<u>25,330</u>

25 BORROWINGS

	<u>Weighted average interest rate</u>		<u>Group and Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	%	%	RM'000	RM'000
<u>Current:</u>				
Term loans	3.95	4.21	1,399,003	853,314
Finance lease liabilities (Ijarah)	5.60	5.68	75,530	66,407
Commodity Murabahah Finance	4.62	5.31	51,389	35,940
Revolving credit	2.22	2.07	749,006	163,775
			<u>2,274,928</u>	<u>1,119,436</u>
<u>Non-current:</u>				
Term loans	3.95	4.21	9,131,661	7,903,560
Finance lease liabilities (Ijarah)	5.60	5.68	719,117	744,420
Commodity Murabahah Finance	4.62	5.31	602,312	403,436
			<u>10,453,090</u>	<u>9,051,416</u>
Total borrowings			<u>12,728,018</u>	<u>10,170,852</u>

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25 **BORROWINGS (CONTINUED)**

The borrowings are repayable as follows:

	<u>Group and Company</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
Not later than 1 year	2,274,927	1,119,436
Later than 1 year and not later than 5 years	5,667,740	4,656,400
Later than 5 years	4,785,351	4,395,016
	<u>12,728,018</u>	<u>10,170,852</u>

The currency profile of borrowings is as follows:

	<u>Group and Company</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
Ringgit Malaysia	2,285,827	1,002,151
US Dollar	10,099,768	8,821,446
Euro	140,204	136,757
Singapore Dollar	202,219	210,498
	<u>12,728,018</u>	<u>10,170,852</u>

Total borrowings as at 31 December 2014 consist of the following banking facilities:

	<u>Group and Company</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
Fixed rate borrowings	7,137,045	6,144,416
Floating rate borrowings	5,590,973	4,026,436
	<u>12,728,018</u>	<u>10,170,852</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

25 **BORROWINGS (CONTINUED)**

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

	<u>Group and Company</u>			
	<u>2014</u>		<u>2013</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	RM'000	RM'000	RM'000	RM'000
Term loans	5,878,388	5,874,449	5,041,987	4,902,838
Finance lease liabilities (Ijarah)	719,116	677,186	113,284	111,502
Commodity Murabahah Finance	367,029	373,332	403,436	397,280
	<u>6,964,533</u>	<u>6,924,967</u>	<u>5,558,707</u>	<u>5,411,620</u>

The fair values of the borrowings classified as current liabilities 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 4.40% to 5.84% (2013: 5.28% to 5.84%) per annum. The fair values of non-current borrowings are within level 3 of the fair value hierarchy.

The above term loans, finance lease liabilities (Ijarah) and commodity murabahah finance are for the purchase of aircraft, spare engines and working capital purposes. Total borrowings include secured liabilities of RM11.8 billion (2013: RM9.8 billion).

The repayment terms of secured term loans, finance lease liabilities (Ijarah) and commodity murabahah finance are on a quarterly or semi-annually basis. These are secured by the following:

- (a) Assignment of rights under contract with Airbus over each aircraft;
- (b) Assignment of insurance of each aircraft; and
- (c) Assignment of airframe and engine warranties of each aircraft.

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26 SHARE CAPITAL

	<u>Group and Company</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
<u>Authorised:</u>		
Ordinary shares of RM0.10 each:		
At beginning and end of the financial year	500,000	500,000
	<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	278,106	277,991
Issued during the financial year	191	115
	<u>278,297</u>	<u>278,106</u>
At end of the financial year	<u>278,297</u>	<u>278,106</u>

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

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company implemented an ESOS on 1 September 2004 ("the Scheme"). The ESOS is governed by the by-laws which were approved by the shareholders on 7 June 2004 and was effective for a period of 5 years from the date of approval. On 28 May 2009, the Company extended the duration of its ESOS which expired on 6 June 2009 by another 5 years to 6 June 2014. This was in accordance with the terms of the ESOS By-Laws. The ESOS extension was not subject to any regulatory or shareholders' approval.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

26 **SHARE CAPITAL (CONTINUED)**

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

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

<u>Grant date</u>	<u>Expiry date</u>	<u>Exercise price</u> RM/share	<u>At 1.1.2014</u> '000	<u>Granted</u> '000	<u>Exercised</u> '000	<u>Lapsed</u> '000	<u>At 31.12.2014</u> '000
1 September 2004	6 June 2014	1.08	2,583	-	(1,912)	(671)	-

<u>Grant date</u>	<u>Expiry date</u>	<u>Exercise price</u> RM/share	<u>At 1.1.2013</u> '000	<u>Granted</u> '000	<u>Exercised</u> '000	<u>Lapsed</u> '000	<u>At 31.12.2013</u> '000
1 September 2004	6 June 2014	1.08	3,739	-	(1,156)	-	2,583

	<u>2014</u> '000	<u>2013</u> '000
Number of share options vested at balance sheet date	-	2,583

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

<u>Exercise date</u>	<u>Quoted price of shares at share issue date</u> RM/share	<u>Exercise price</u> RM/share	<u>Number of shares issued</u> '000
January 2014 to March 2014	2.30 – 2.55	1.08	284
April 2014 to June 2014	2.50 – 2.51	1.08	1,628
			1,912

The Company's share option scheme lapsed on 6 June 2014.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (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 2014	80,065	486,347	566,412
Cash flow hedge – fair value gains	(46,983)	-	(46,983)
Amounts transferred to income statement	(175,256)	-	(175,256)
Share capital reserve of associates	(30,700)	-	(30,700)
Revaluation of other investments	-	(132,396)	(132,396)
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>
At 1 January 2013	(98,148)	220,559	122,411
Cash flow hedge – fair value gains	372,790	-	372,790
Amounts transferred to income statement	(194,577)	-	(194,577)
Revaluation of other investments	-	265,788	265,788
At 31 December 2013	<u>80,065</u>	<u>486,347</u>	<u>566,412</u>
<u>Company</u>			
At 1 January 2014	80,065	486,347	566,412
Cash flow hedge – fair value gains	(46,983)	-	(46,983)
Amounts transferred to income statement	(175,256)	-	(175,256)
Revaluation of other investments	-	(132,396)	(132,396)
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>
At 1 January 2013	(98,148)	220,559	122,411
Cash flow hedge – fair value gains	372,790	-	372,790
Amounts transferred to income statement	(194,577)	-	(194,577)
Revaluation of other investments	-	265,788	265,788
At 31 December 2013	<u>80,065</u>	<u>486,347</u>	<u>566,412</u>

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28 DIVIDENDS

Dividends declared or proposed by the Company are as follows:

	2014		2013	
	Gross dividend per share Sen	Amount of dividend net of tax RM'000	Gross dividend per share Sen	Amount of dividend net of tax RM'000
First and final dividend paid in respect of the financial year ended 31 December 2014:				
Single-tiered interim 'special' dividend of 18 sen per share	-	-	18.00	500,383
Single-tiered dividend of 4 sen per share (2013: 6.00 sen per share)	4.00	111,292	6.00	166,831
	<u>4.00</u>	<u>111,292</u>	<u>24.00</u>	<u>667,214</u>

29 COMMITMENTS AND OPERATING LEASES

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

	Group and Company	
	2014 RM'000	2013 RM'000
Property, plant and equipment:		
- Approved and contracted for	63,257,559	55,515,081
- Approved but not contracted for	14,452,618	12,988,262
	<u>77,710,177</u>	<u>68,503,343</u>

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

	Group and Company	
	2014 RM'000	2013 RM'000
Not later than 1 year	1,131,682	3,019,835
Later than 1 year and not later than 5 years	8,072,885	15,540,366
Later than 5 years	54,052,992	36,954,880
	<u>63,257,559</u>	<u>55,515,081</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (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:

	<u>Group and Company</u>			
	<u>2014</u>		<u>2013</u>	
	Future minimum lease <u>payments</u> RM'000	Future minimum sublease <u>receipts</u> RM'000	Future minimum lease <u>payments</u> RM'000	Future minimum sublease <u>receipts</u> RM'000
Not later than 1 year	179,353	816,986	202,338	760,328
Later than 1 year and not later than 5 years	667,617	3,140,181	790,787	2,958,635
Later than 5 years	466,627	2,237,442	733,926	2,750,514
	<u>1,313,597</u>	<u>6,194,609</u>	<u>1,727,051</u>	<u>6,469,477</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 CONTINGENT LIABILITIES

At 31 December 2014 the Group and Company had contingent liabilities amounting to RM10 million (2013: RM20.7 million) relating to a fine imposed by the Malaysian Competition Commission, against which the Company intends to appeal to the Competition Appeal Tribunal. Having considered legal advice from the external legal counsel, the Directors are of the opinion that the possibility of outflow is not probable.

31 SEGMENTAL INFORMATION

Segmental information is as shown in the income statements, balance sheets and relevant notes as the Group's sole business segment is the provision of air transportation services. Management has determined the operating segment based on management reports that are reviewed and used to make strategic decisions by the Group Chief Executive Officer who is identified as the chief operating decision maker.

The Group's operations are conducted predominantly in Malaysia.

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32 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 2014 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
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
Zest Airways Inc	Subsidiary of an associate
AAE Travel Pte Ltd	Joint venture of a subsidiary
Asian Aviation Centre of Excellence Sdn Bhd	Joint venture
AirAsia X Berhad	Company with common directors and shareholders
Tune Money Sdn Bhd	Common directors
Tune Insurance Malaysia Berhad	Company with common directors and shareholders
Queen Park Rangers Holdings Ltd	Company with common directors and shareholders
Tune Box Aviation Sdn Bhd	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

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 32(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.

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

	Group		Company	
	2014	2013	2014	2013
	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	374,529	333,618	374,529	333,618
- PT Indonesia AirAsia	324,247	257,045	324,247	257,045
- AirAsia Inc	34,447	30,435	34,447	30,435
- AirAsia Japan Co. Ltd	-	41,973	-	41,973
- Zest Airways Inc	46,400	2,770	46,400	2,770
- AirAsia (India) Private Limited	14,782	-	14,782	-
Gain on disposal of aircraft to Thai AirAsia Co. Ltd	11,377	23,367	-	-
Services and fees charged to AirAsia X Berhad	16,106	15,376	16,106	15,376
Fees charged to associates providing commercial air transport services	61,108	54,571	61,108	54,571
Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad	12,985	15,217	12,985	15,217
(b) <u>Recharges:</u>				
Recharges of expenses to				
- Thai AirAsia Co. Ltd	102,456	66,241	102,456	66,241
- PT Indonesia AirAsia	356,240	306,196	356,240	306,196
- AirAsia Inc	31,341	10,267	31,341	10,267
- Zest Airways Inc	20,706	-	20,706	-
Recharges of expenses by				
- Thai AirAsia Co. Ltd	(14,304)	(11,494)	(14,304)	(11,494)

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(c) <u>Other charges/(expenses):</u>				
Maintenance reserve fund charged to				
- PT Indonesia Airasia	147,839	142,640	147,839	142,640
- Thai AirAsia Co. Ltd	141,866	145,631	141,866	145,631
- AirAsia Inc	8,884	13,638	8,884	13,638
- AirAsia Japan Co. Ltd	-	13,185	-	13,185
- Zest Airways Inc	22,136	580	22,136	580
- AirAsia (India) Private Limited	2,079	-	2,079	-
Interest charges to				
- PT Indonesia AirAsia	34,010	12,758	34,010	12,758
- AirAsia Inc	24,312	5,357	24,312	5,357
Provision of sponsorship to Queen Park Rangers Holdings Ltd	(9,003)	(7,063)	(9,003)	(7,063)
Charter air travel services charged by AirAsia X Berhad	(8,827)	-	(8,827)	-
In-flight entertainment system and solutions costs charged by Tune Box Aviation Sdn Bhd	(12,242)	-	(12,242)	-
(d) <u>Key management compensation:</u>				
- basic salaries, bonus and allowances	20,523	18,046	19,509	17,007
- defined contribution plan	2,503	2,052	2,362	1,927
	23,026	20,098	21,871	18,934

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

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(e) Receivables:				
<u>Subsidiaries</u>				
- AirAsia (Mauritius) Limited	-	-	40,911	88,641
- AirAsia Investment Limited	-	-	83,249	74,034
- Koolred Sdn Bhd	-	-	-	14,985
- AirAsia Global Shared Services Sdn Bhd	-	-	15,812	13,298
- AirAsia Go Holiday Sdn Bhd	-	-	31,358	-
- Others	-	-	2,623	162
Amounts due from subsidiaries	-	-	173,953	191,120
<u>Joint ventures</u>				
- Asian Aviation Centre of Excellence Sdn Bhd	33,770	9,461	33,770	9,461
- AAE Travel Pte Ltd	17,418	22,272	662	-
- Think Big Digital Sdn Bhd	-	1,970	-	1,970
Amounts due from joint ventures	51,188	33,703	34,432	11,431
<u>Associates</u>				
- Thai AirAsia Co. Ltd	11,525	62,208	10,966	13,851
- PT Indonesia AirAsia	1,411,097	850,246	1,410,431	849,590
- AirAsia Inc	948,260	366,280	860,487	285,623
- AirAsia (India) Private Limited	77,001	664	75,984	664
- Zest Airways Inc	2,650	18,527	-	18,208
- Think Big Digital Sdn Bhd	4,200	-	4,200	-
- Others	598	-	594	-
Amounts due from associates	2,455,331	1,297,925	2,362,662	1,167,936
<u>Related parties</u>				
- Tune Money Sdn Bhd	-	1,401	-	1,401
- Caterhamjet Global Ltd	454	1,532	454	1,532
- Others	2,725	3,180	2,690	3,180
Amounts due from related parties	3,179	6,113	3,144	6,113

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

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

	<u>Group</u>		<u>Company</u>	
	<u>2014</u> RM'000	<u>2013</u> RM'000	<u>2014</u> RM'000	<u>2013</u> RM'000
(f) Payables:				
<u>Subsidiary</u>				
- AirAsia Go Holiday Sdn Bhd	-	-	-	10,185
<u>Joint venture</u>				
- AAE Travel Pte Ltd	-	-	-	151
<u>Associates</u>				
- Thai AirAsia Co. Ltd	83,545	60,859	64,965	60,859
- Zest Airways Inc	55,110	-	55,110	-
- Others	-	467	-	467
Amounts due to associates	<u>138,655</u>	<u>61,326</u>	<u>120,075</u>	<u>61,326</u>
<u>Related parties</u>				
- AirAsia X Berhad	13,979	15,145	13,979	15,145
- Thai AirAsia X Co. Ltd	6,116	-	6,116	-
- PT Indonesia AirAsia Extra	4,598	-	4,598	-
Amounts due to related parties	<u>24,693</u>	<u>15,145</u>	<u>24,693</u>	<u>15,145</u>

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33 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>Available- for-sale</u> RM'mil	<u>Total</u> RM'mil
<u>31 December 2014</u>				
<u>Assets as per balance sheet</u>				
Other investments	-	-	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	-	668	-	668
Deposits, cash and bank balances	1,338	-	-	1,338
Total	4,367	668	385	5,420
		<u>Liabilities at fair value through the profit and loss</u> RM'mil	<u>Other financial liabilities at amortised cost</u> RM'mil	<u>Total</u> RM'mil
<u>Liabilities as per balance sheet</u>				
Borrowings (excluding finance lease liabilities)		-	11,933	11,933
Finance lease liabilities		-	795	795
Derivative financial instruments		720	-	720
Trade and other payables		-	773	773
Amounts due to associates		-	139	139
Amounts due to related parties		-	25	25
Total		720	13,665	14,385

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

33 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>Available- for-sale</u> RM'mil	<u>Total</u> RM'mil
<u>31 December 2013</u>				
<u>Assets as per balance sheet</u>				
Other investments	-	-	572	572
Receivables excluding prepayments	607	-	-	607
Amounts due from associates	1,298	-	-	1,298
Amounts due from joint ventures	34	-	-	34
Amounts due from related parties	6	-	-	6
Derivative financial instruments	-	239	-	239
Deposits, cash and bank balances	1,380	-	-	1,380
Total	<u>3,325</u>	<u>239</u>	<u>572</u>	<u>4,136</u>
		<u>Liabilities at fair value through the profit and loss</u> RM'mil	<u>Other financial liabilities at amortised cost</u> RM'mil	<u>Total</u> RM'mil
<u>Liabilities as per balance sheet</u>				
Borrowings (excluding finance lease liabilities)		-	9,360	9,360
Finance lease liabilities		-	811	811
Derivative financial instruments		281	-	281
Trade and other payables		-	745	745
Amount due to an associate		-	61	61
Amount due to a related party		-	15	15
Total		<u>281</u>	<u>10,992</u>	<u>11,273</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

33 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>Available- for-sale</u> RM'mil	<u>Total</u> RM'mil
<u>31 December 2014</u>				
<u>Assets as per balance sheet</u>				
Other investments	-	-	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	-	668	-	668
Deposits, cash and bank balances	1,319	-	-	1,319
Total	4,349	668	385	5,402
		<u>Liabilities at fair value through the profit and loss</u> RM'mil	<u>Other financial liabilities at amortised cost</u> RM'mil	<u>Total</u> RM'mil
<u>Liabilities as per balance sheet</u>				
Borrowings (excluding finance lease liabilities)		-	11,933	11,933
Finance lease liabilities		-	795	795
Derivative financial instruments		720	-	720
Trade and other payables		-	782	782
Amounts due to associates		-	120	120
Amounts due to related parties		-	25	25
Total		720	13,655	14,375

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

33 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>Available- for-sale</u> RM'mil	<u>Total</u> RM'mil
<u>31 December 2013</u>				
<u>Assets as per balance sheet</u>				
Other investments	-	-	562	562
Receivables excluding prepayments	573	-	-	573
Amounts due from subsidiaries	191	-	-	191
Amounts due from associates	1,168	-	-	1,168
Amounts due from joint ventures	11	-	-	11
Amounts due from related parties	6	-	-	6
Derivative financial instruments	-	239	-	239
Deposits, cash and bank balances	1,307	-	-	1,307
Total	3,256	239	562	4,057
		<u>Liabilities at fair value through the profit and loss</u> RM'mil	<u>Other financial liabilities at amortised cost</u> RM'mil	<u>Total</u> RM'mil
<u>Liabilities as per balance sheet</u>				
Borrowings (excluding finance lease liabilities)	-	-	9,360	9,360
Finance lease liabilities	-	-	811	811
Derivative financial instruments	-	281	-	281
Trade and other payables	-	-	660	660
Amount due to a subsidiary	-	-	10	10
Amount due to an associate	-	-	61	61
Amount due to a joint venture	-	-	1	1
Amount due to a related party	-	-	15	15
Total		281	10,918	11,199

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

33 FINANCIAL INSTRUMENTS (CONTINUED)

(a) 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>2014</u>	<u>Group</u>
	RM'mil	2013
		RM'mil
<u>Counterparties without external credit rating</u>		
Group 1	1	13
Group 2	149	84
	<u>150</u>	<u>97</u>
<u>Cash at bank and short term bank deposits</u>		
AAA to A-	1,323	1,370
BBB to B3	15	10
	<u>1,338</u>	<u>1,380</u>
<u>Derivative financial assets</u>		
AA+ to A+	55	43
A to BBB-	334	196
No rating	279	-
	<u>668</u>	<u>239</u>
<u>Loans to related parties</u>		
Group 2	<u>2,510</u>	<u>1,237</u>
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.

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34 **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). As at 31 December 2014 there were no existing trades that would impact the post-tax profit for the year and equity. If a barrel of jet fuel at 31 December 2014 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:

	Group and Company			
	2014		2013	
	+USD5 RM'mil	-USD5 RM'mil	+USD5 RM'mil	-USD5 RM'mil
Impact on post tax profits	-	-	-	-
Impact on other comprehensive income	53	(53)	1	(1)

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

34 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 2014 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 2014 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			
	2014		2013	
	+60bps RM'mil	-60bps RM'mil	+60bps RM'mil	-60bps RM'mil
Impact on post tax profits	15	(15)	21	(21)
Impact on other comprehensive income	71	(75)	80	(87)

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

34 **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 2014, which are all denominated in USD, are as follows:

	<u>2014</u>	<u>2013</u>
	RM'mil	RM'mil
<u>Later than 1 year but less than 5 years:</u>		
Interest rate caps	137	-
Interest rate swaps	688	584
<u>Later than 5 years:</u>		
Interest rate caps	201	358
Interest rate swaps	2,673	2,883
Cross-currency interest rate swaps	476	152
	<u>4,175</u>	<u>3,977</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.

51% (2013: 54%) 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 2014 with all other variables held constant, post-tax profit for the financial year would have been RM339.3 million (2013: RM242.3 million) lower/higher. Similarly, the impact on other comprehensive income would have been RM23.8 million (2013: RM18.5 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 2014 with all other variables held constant, post-tax profit for the financial year would have been RM49.6 million (2013: RM42.4 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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

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

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

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

The Group's currency exposure is as follows:

<u>At 31 December 2014</u>	<u>USD</u> RM'mil	<u>AUD</u> RM'mil	<u>SGD</u> RM'mil	<u>RMB and HKD</u> RM'mil	<u>Others</u> RM'mil
<u>Financial assets</u>					
Receivables	212	7	9	39	57
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	8	15	1,031	28
	<u>3,410</u>	<u>15</u>	<u>41</u>	<u>1,070</u>	<u>85</u>
<u>Financial liabilities</u>					
Trade and other payables	131	22	39	18	39
Amount due to associates	139	-	-	-	-
Amounts due to related parties	11	-	-	-	-
Borrowings	10,100	-	202	-	140
Derivative financial instruments	720	-	-	-	-
	<u>11,101</u>	<u>22</u>	<u>241</u>	<u>18</u>	<u>179</u>
Net exposure	<u>(7,691)</u>	<u>(7)</u>	<u>(200)</u>	<u>1,052</u>	<u>(94)</u>
 <u>At 31 December 2013</u>					
<u>Financial assets</u>					
Receivables	161	9	53	9	224
Amounts due from associates	1,298	-	-	-	-
Amounts due from joint ventures	10	-	22	-	-
Derivative financial instruments	239	-	-	-	-
Amount due from a related party	4	-	-	-	-
Deposits, cash and bank balances	188	26	27	923	72
	<u>1,900</u>	<u>35</u>	<u>102</u>	<u>932</u>	<u>296</u>
<u>Financial liabilities</u>					
Trade and other payables	187	4	22	39	41
Amount due to an associate	61	-	-	-	-
Borrowings	8,821	-	210	-	137
Derivative financial instruments	281	-	-	-	-
	<u>9,350</u>	<u>4</u>	<u>232</u>	<u>39</u>	<u>178</u>
Net exposure	<u>(7,450)</u>	<u>31</u>	<u>(130)</u>	<u>893</u>	<u>118</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

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

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

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

The Company's currency exposure is as follows:

<u>At 31 December 2014</u>	<u>USD</u> RM'mil	<u>AUD</u> RM'mil	<u>SGD</u> RM'mil	<u>RMB and HKD</u> RM'mil	<u>Others</u> RM'mil
Financial assets					
Receivables	154	7	9	39	57
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	8	15	1,031	28
	<u>3,367</u>	<u>15</u>	<u>25</u>	<u>1,070</u>	<u>85</u>
Financial liabilities					
Trade and other payables	144	22	39	18	39
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>22</u>	<u>241</u>	<u>18</u>	<u>179</u>
Net exposure	<u>(7,728)</u>	<u>(7)</u>	<u>(216)</u>	<u>1,052</u>	<u>(94)</u>
 <u>At 31 December 2013</u>					
Financial assets					
Receivables	127	9	53	9	224
Amounts due from subsidiaries	178	-	-	-	-
Amounts due from associates	1,168	-	-	-	-
Amounts due from joint ventures	10	-	-	-	-
Amount due from related parties	4	-	-	-	-
Derivative financial instruments	239	-	-	-	-
Deposits, cash and bank balances	118	26	26	923	72
	<u>1,844</u>	<u>35</u>	<u>79</u>	<u>932</u>	<u>296</u>
Financial liabilities					
Trade and other payables	162	4	1	39	41
Amounts due to joint ventures	1	-	-	-	-
Amount due to an associate	61	-	-	-	-
Borrowings	8,821	-	210	-	137
Derivative financial instruments	281	-	-	-	-
	<u>9,326</u>	<u>4</u>	<u>211</u>	<u>39</u>	<u>178</u>
Net exposure	<u>(7,482)</u>	<u>31</u>	<u>(132)</u>	<u>893</u>	<u>118</u>

AIRASIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

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

AIRASIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

34 **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 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 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>At 31 December 2013</u>				
Term loans	1,212	1,208	3,999	4,120
Finance lease liabilities	112	112	367	473
Commodity Murabahah				
Finance	59	58	168	322
Revolving credit	167	-	-	-
Trade and other payables	745	-	-	-
Amount due to an associate	1	-	-	61
Amount due to a related party	15	-	-	-
	<u>2,311</u>	<u>1,378</u>	<u>4,534</u>	<u>4,976</u>

AIRASIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

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

(c) **Liquidity and cash flow risk (continued)**

<u>Company</u>	<u>Less than 1 year RM'mil</u>	<u>1 – 2 years RM'mil</u>	<u>2-5 years RM'mil</u>	<u>Over 5 years RM'mil</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>
<u>Company</u>				
<u>At 31 December 2013</u>				
Term loans	1,212	1,208	3,999	4,120
Finance lease liabilities	112	112	367	473
Commodity Murabahah				
Finance	59	58	168	322
Revolving credit	167	-	-	-
Trade and other payables	660	-	-	-
Amount due to joint ventures	1	-	-	-
Amount due to associates	1	-	-	61
Amount due to a related party	15	-	-	-
	<u>2,227</u>	<u>1,378</u>	<u>4,534</u>	<u>4,976</u>

AIRASIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

The table below analyses the Group's and Company's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table 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 and Company</u>				
<u>At 31 December 2014</u>				
Net-settled derivatives				
Trading	28	20	27	3
Hedging	529	55	60	5
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Gross-settled derivatives				
Trading – outflow	-	-	-	-
Trading – inflow	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>At 31 December 2013</u>				
Net-settled derivatives				
Trading	29	25	31	2
Hedging	68	57	70	3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Gross-settled derivatives				
Trading – outflow	47	-	-	-
Trading – inflow	(46)	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

AIRASIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

34 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 2013.

Consistent with others in the industry, the Group and Company monitors capital utilisation on the basis of the gearing ratio. This ratio is calculated as total debts divided by total capital. Total debts are calculated as total borrowings (including "short term and long term borrowings" as shown in the Group's and Company's balance sheet). Total capital is calculated as the sum of "equity attributable to equity holders of the Group and Company" as shown in the balance sheet and net debts.

The gearing ratio as at 31 December 2014 and 31 December 2013 was as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'mil	RM'mil	RM'mil	RM'mil
Total borrowings (Note 25)	12,728	10,171	12,728	10,171
Less: Cash and cash equivalents	(768)	(1,195)	(750)	(1,121)
Net debt	11,960	8,976	11,978	9,050
Total equity attributable to equity holders of the Group and Company	4,555	5,001	4,221	4,694
	16,515	13,977	16,199	13,744
Gearing ratio	72.4%	64.2%	73.9%	65.8%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2014 and 31 December 2013.

AIRASIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

34 **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 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 financial assets				
- Other 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>

AIRASIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

34 **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 2013</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	37	-	37
Derivatives used for hedging	-	202	-	202
Available-for-sale financial assets				
- Other investments	562	-	10	572
	<u>562</u>	<u>239</u>	<u>10</u>	<u>811</u>
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	86	-	86
Derivatives used for hedging	-	195	-	195
	<u>-</u>	<u>281</u>	<u>-</u>	<u>281</u>
<u>Company</u>				
<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 financial assets				
- Other 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>

AIRASIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

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

(e) Fair value measurement (continued)

<u>Company</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 2013</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	37	-	37
Derivatives used for hedging	-	202	-	202
Available-for-sale financial assets				
- Other investments	562	-	-	562
	<u>562</u>	<u>239</u>	<u>-</u>	<u>801</u>
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	86	-	86
Derivatives used for hedging	-	195	-	195
	<u>-</u>	<u>281</u>	<u>-</u>	<u>281</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 2014 (CONTINUED)

34 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.

35 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 2014. 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 2014 (CONTINUED)

35 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 Duapuluhtujuh 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 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

AIRASIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

36 SUBSEQUENT EVENT

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

37 RECLASSIFICATION OF COMPARATIVES

In the financial year ended 31 December 2014, the presentation of the income statement was changed to better reflect the performance of the Group and the Company as follows:

	Group			Company		
	As previously reported <u>31.12.2013</u> RM'000	Effects of reclass- -ification RM'000	As restated <u>31.12.2013</u> RM'000	As previously reported <u>31.12.2013</u> RM'000	Effects of reclass- -ification RM'000	As restated <u>31.12.2013</u> RM'000
<u>Income statement</u>						
Other gains/(loss) - net	92,689	(92,689)	-	92,689	(92,689)	-
Finance income	64,208	48,112	112,320	64,192	48,112	112,304
Foreign exchange losses	<u>(397,795)</u>	<u>44,577</u>	<u>(353,218)</u>	<u>(397,795)</u>	<u>44,577</u>	<u>(353,218)</u>

AIRASIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

38 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES LISTING REQUIREMENT

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

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of AirAsia Berhad and its subsidiaries:				
- Realised	2,906,177	2,358,327	2,633,804	2,114,139
- Unrealised	(91,609)	512,256	(91,712)	506,431
	<u>2,814,568</u>	<u>2,870,583</u>	<u>2,542,092</u>	<u>2,620,570</u>
Total share of accumulated gains from associated companies:				
- Realised	3,521	33,228	-	-
Total share of accumulated gains from joint ventures				
- Realised	79,946	22,680	-	-
Total retained earnings as per consolidated financial statements	<u><u>2,898,035</u></u>	<u><u>2,926,491</u></u>	<u><u>2,542,092</u></u>	<u><u>2,620,570</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
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AIRASIA BERHAD
(Incorporated in Malaysia)

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

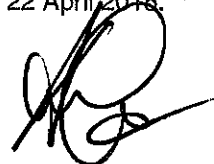
We, Datuk Kamarudin Bin Meranun and Aireen Omar, being two of the Directors of AirAsia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 6 to 113 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2014 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 information set out in Note 38 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

In accordance with a resolution of the Board of Directors dated 22 April 2015.



DATUK KAMARUDIN BIN MERANUN
DIRECTOR



AIREEN OMAR
DIRECTOR

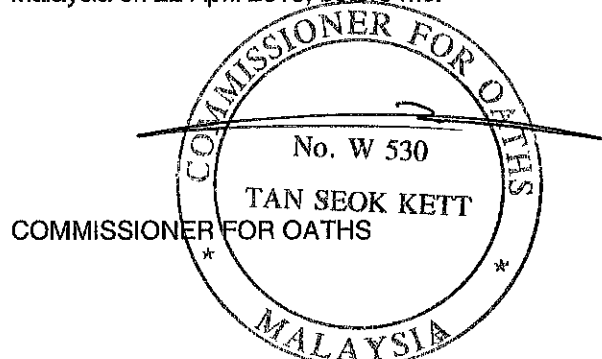
**STATUTORY DECLARATION PURSUANT TO
SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Rozman Bin Omar, the Officer primarily responsible for the financial management of AirAsia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 113 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



ROZMAN BIN OMAR

Subscribed and solemnly declared by the abovenamed Rozman Bin Omar at ~~Petaling Jaya~~ ^{Kuala Lumpur} in Malaysia on 22 April 2015, before me.



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 113, which comprise the balance sheets as at 31 December 2014 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 37.

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 2014 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 Note 38 on page 114 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.

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PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

A large, stylized handwritten signature in black ink, appearing to read 'I. G. L. Menezes', positioned above the printed name of the accountant.

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

Kuala Lumpur
22 April 2015