

Company No.

284669	W
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**AIRASIA BERHAD**  
(Incorporated in Malaysia)

**STATUTORY FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

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AIRASIA BERHAD  
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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**AIRASIA BERHAD**  
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## DIRECTORS' REPORT

The Directors hereby submit their annual report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2011.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is that of providing air transportation services. The principal activities of the subsidiaries are described in Note 13 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

### FINANCIAL RESULTS

	<u>Group</u> RM'000	<u>Company</u> RM'000
Net profit for the financial year	555,324	553,367

### DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2010, first and final dividend of 3 sen per ordinary share of RM0.10, paid on 19 July 2011	
- as shown in the Directors' report of that year, dividend on 2,773,436,080 shares	76,861
- dividend on additional 2,573,500 shares due to exercise of employee share options	104
	<u>76,965</u>

At the date of this report the Directors have not recommended the payment of any dividend for the financial year ended 31 December 2011.

### RESERVES AND PROVISIONS

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

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## DIRECTORS' REPORT (CONTINUED)

### ISSUANCE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM277,343,608 to RM277,808,558 by way of issuance of 4,649,500 ordinary shares of RM0.10 each pursuant to the exercise of the Company's Employee Share Option Scheme ("ESOS") at an exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM4,556,510, has been credited to the Share Premium account.

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

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

The Company implemented an ESOS on 1 September 2004. The ESOS is governed by the by-laws which were approved by the shareholders on 7 June 2004 and 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.

Details of the ESOS are set out in Note 32 to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia, the information of which has been separately filed, from having to disclose the list of option holders and their holdings, except for eligible employees (inclusive of Executive Directors) with share options allocation of 320,000 and above. The employees who have been granted options of more than 320,000 shares are Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun, details of which are disclosed in the section on Directors' Interests in Shares below.

### DIRECTORS

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

Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	
Tan Sri Dr. Anthony Francis Fernandes	
Dato' Kamarudin Bin Meranun	
Conor Mc Carthy	
Dato' Leong Sonny @ Leong Khee Seong	
Dato' Fam Lee Ee	
Dato' Mohamed Khadar Bin Merican	
Mohd Omar Bin Mustapha	(Appointed on 16 March 2011)
Datuk Mohamed Azman Bin Yahya	(Appointed on 11 August 2011)
Mohamed Rashdan Bin Mohd Yusof (Alternate Director to Datuk Mohamed Azman Bin Yahya)	(Appointed on 11 August 2011, resigned on 12 October 2011)
Datuk Alias Bin Ali	(Retired on 20 June 2011)

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**AIRASIA BERHAD**  
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**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' BENEFITS**

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Company's ESOS (see Note 5 to the financial statements).

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration as disclosed in Note 5 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 38 to the financial statements.

**DIRECTORS' INTERESTS IN SHARES**

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

	Number of ordinary shares of RM0.10 each			
	At 1.1.2011	Acquired	Disposed	At 31.12.2011
<u>Direct interests in the Company</u>				
Tan Sri Dr. Anthony Francis Fernandes	2,627,010	600,000	-	3,227,010
Dato' Kamarudin Bin Meranun	1,692,900	-	-	1,692,900
Conor Mc Carthy	15,352,403	-	4,387,403	10,965,000**
Dato' Leong Sonny @ Leong Khee Seong	100,000	-	-	100,000
Dato' Fam Lee Ee	100,000	-	50,000	50,000
<u>Indirect interests</u>				
Tan Sri Dr. Anthony Francis Fernandes *	729,458,382	-	366,500,600	362,957,782
Dato' Kamarudin Bin Meranun *	729,458,382	-	366,500,600	362,957,782

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

\*\* 100,000 shares held in personal name and 10,865,000 shares held under HSBC Nominees (Asing) Sdn Bhd.

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**AIRASIA BERHAD**  
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## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' INTERESTS IN SHARES (CONTINUED)

	<u>Number of options over ordinary shares of RM0.10 each</u>			
	<u>At</u> <u>1.1.2011</u>	<u>Granted</u>	<u>Exercised</u>	<u>At</u> <u>31.12.2011</u>
<u>The Company</u>				
Tan Sri Dr. Anthony Francis Fernandes	600,000	-	(600,000)	-
Dato' Kamarudin Bin Meranun	600,000	-	-	600,000

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

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

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

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**AIRASIA BERHAD**  
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**DIRECTORS' REPORT (CONTINUED)**

**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)**

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

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

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

In the opinion of the Directors:

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

**AUDITORS**

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

In accordance with a resolution of the Board of Directors dated **27 APR 2012**



**TAN SRI DR. ANTHONY FRANCIS FERNANDES**  
DIRECTOR



**DATO' KAMARUDIN BIN MERANUN**  
DIRECTOR

**AIRASIA BERHAD**  
(Incorporated in Malaysia)

**INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Revenue	4	4,495,141	3,948,095	4,449,933	3,864,459
Operating expenses					
- Staff costs	5	(484,177)	(360,785)	(482,526)	(358,941)
- Depreciation of property, plant and equipment	12	(570,909)	(519,984)	(570,755)	(519,958)
- Aircraft fuel expenses		(1,759,868)	(1,210,108)	(1,759,868)	(1,210,108)
- Maintenance and overhaul		(86,698)	(92,646)	(86,698)	(92,646)
- User charges and other related expenses		(386,868)	(383,431)	(385,565)	(383,431)
- Aircraft operating lease expenses		(80,655)	(65,692)	(80,655)	(65,692)
- Travel and tour operating expenses		(36,555)	(69,634)	-	-
- Other operating expenses	6	(163,747)	(192,381)	(153,688)	(186,017)
Other losses – net	7	(55,501)	(22,416)	(55,501)	(22,416)
Other income	8	292,357	35,943	292,156	35,367
Operating profit		1,162,520	1,066,961	1,166,833	1,060,617
Finance income	9	66,078	66,699	66,056	66,689
Finance costs	9	(377,894)	(384,340)	(377,865)	(384,336)
Net operating profit		850,704	749,320	855,024	742,970
Foreign exchange (loss)/gain on borrowings	9	(93,472)	439,514	(93,472)	439,514
Foreign exchange gain/(loss) on amounts due from associates and jointly-controlled entities		13,457	(89,978)	13,457	(89,978)
Share of results of jointly controlled entities	14	11,980	-	-	-
Share of results of associates	15	(5,652)	-	-	-
Profit before taxation		777,017	1,098,856	775,009	1,092,506
Taxation					
- Current taxation	10	(18,533)	(5,431)	(18,533)	(5,417)
- Deferred taxation	10	(203,160)	(32,014)	(203,109)	(32,014)
		(221,693)	(37,445)	(221,642)	(37,431)
Net profit for the financial year		555,324	1,061,411	553,367	1,055,075
Earnings per share (sen)					
- Basic	11	20.0	38.4		
- Diluted	11	20.0	38.3		



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AIRASIA BERHAD  
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STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit for the financial year		555,324	1,061,411	553,367	1,055,075
Other comprehensive (loss)/ income					
- Available-for-sale financial assets	16	-	4,279	-	4,279
- Cash flow hedges		(88,054)	(5,639)	(88,054)	(5,639)
- Foreign currency translation differences		111	(107)	-	-
Other comprehensive loss for the financial year, net of tax		(87,943)	(1,467)	(88,054)	(1,360)
Total comprehensive income for the financial year		467,381	1,059,944	465,313	1,053,715
Total comprehensive income attributable to:					
- Equity holders of the company		467,381	1,059,944		
- Non-controlling interests		-	-		
		467,381	1,059,944		

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**AIRASIA BERHAD**  
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**BALANCE SHEETS AS AT 31 DECEMBER 2011**

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2011</u> RM'000	<u>2010</u> RM'000	<u>2011</u> RM'000	<u>2010</u> RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12	8,586,451	9,318,041	8,586,146	9,316,592
Investment in subsidiaries	13	-	-	23,480	25,384
Investment in jointly controlled entities	14	123,654	-	81,559	-
Investment in associates	15	39,079	29	29	29
Available-for-sale financial assets	16	152,942	152,942	152,942	152,942
Other investments	17	-	25	-	25
Goodwill	18	7,334	8,738	-	-
Deferred tax assets	19	516,100	719,260	516,151	719,260
Receivables and prepayments	20	15,548	23,593	15,548	23,593
Deposits on aircraft purchase	21	112,228	-	112,228	-
Amount due from an associate	22	513,614	117,964	513,614	117,964
Derivative financial instruments	23	44,811	25,544	44,811	25,544
		<u>10,111,761</u>	<u>10,366,136</u>	<u>10,046,508</u>	<u>10,381,333</u>
<b>CURRENT ASSETS</b>					
Inventories	24	19,730	17,553	19,730	17,005
Receivables and prepayments	20	1,109,775	841,122	1,081,125	815,921
Deposits on aircraft purchase	21	255,540	248,684	255,540	248,684
Derivative financial instruments	23	7,659	-	7,659	-
Amounts due from subsidiaries	25	-	-	105,409	432,382
Amount due from a jointly controlled entity	26	4,526	99,802	4,526	-
Amounts due from associates	22	289,492	162,386	289,492	162,386
Deposits, cash and bank balances	27	2,105,010	1,504,617	2,079,712	1,499,061
Current tax recoverable		2,216	-	1,942	-
		<u>3,793,948</u>	<u>2,874,164</u>	<u>3,845,135</u>	<u>3,175,439</u>

**AIRASIA BERHAD**  
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**BALANCE SHEETS AS AT 31 DECEMBER 2011 (CONTINUED)**

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>LESS: CURRENT LIABILITIES</b>					
Trade and other payables	28	1,137,232	912,943	1,103,063	884,344
Sales in advance		389,833	328,549	376,628	307,987
Amounts due to subsidiaries	29	-	-	5,605	44,251
Amounts due to jointly controlled entities	26	19,761	-	50,087	322,614
Amount due to an associate	22	4,444	5,223	4,444	5,223
Amount due to a related party	29	10,560	41,262	10,560	41,262
Hire-purchase payables	30	-	15	-	15
Borrowings	31	594,231	553,967	594,231	553,967
Derivative financial instruments	23	38,011	-	38,011	-
Current tax liabilities		-	1,632	-	955
		<u>2,194,072</u>	<u>1,843,591</u>	<u>2,182,629</u>	<u>2,160,618</u>
<b>NET CURRENT ASSETS</b>		<u>1,599,876</u>	<u>1,030,573</u>	<u>1,662,506</u>	<u>1,014,821</u>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	31	7,186,919	7,302,884	7,186,919	7,302,884
Derivative financial instruments	23	488,321	452,865	488,321	452,865
		<u>7,675,240</u>	<u>7,755,749</u>	<u>7,675,240</u>	<u>7,755,749</u>
		<u>4,036,397</u>	<u>3,640,960</u>	<u>4,033,774</u>	<u>3,640,405</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	32	277,809	277,344	277,809	277,344
Share premium		1,226,150	1,221,594	1,226,150	1,221,594
Foreign exchange reserve		596	485	-	-
Retained earnings	33	2,580,930	2,102,571	2,578,903	2,102,501
Other reserves		(49,088)	38,966	(49,088)	38,966
Shareholders' equity		<u>4,036,397</u>	<u>3,640,960</u>	<u>4,033,774</u>	<u>3,640,405</u>

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**AIRASIA BERHAD**  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	Attributable to equity holders of the Company										
	Issued and fully paid ordinary shares of RM0.10 each		Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	AFS reserve RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000
At 1 January 2011		2,773,437									
Net profit for the financial year		-	-	-	-	-	-	555,324	555,324	-	555,324
Fair value gains during the year Amounts transferred to income statement		-	-	-	-	8,962	-	-	8,962	-	8,962
Other comprehensive income		-	-	-	-	(97,016)	-	-	(97,016)	-	(97,016)
Total comprehensive income		-	-	-	111	-	-	-	111	-	111
Dividend paid	34	-	-	-	-	(88,054)	-	555,324	467,381	-	467,381
Issuance of ordinary shares - pursuant to the Employee Share Option Scheme (‘ESOS’)	32	4,650	465	4,556	-	-	-	(76,965)	(76,965)	-	(76,965)
At 31 December 2011		2,778,087	277,809	1,226,150	596	(159,363)	110,275	2,580,930	4,036,397	-	4,036,397

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**AIRASIA BERHAD**  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

Note	Attributable to equity holders of the Company									
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	AFS reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2010	2,757,745	275,774	1,206,216	592	(65,670)	105,996	1,041,160	2,564,068	-	2,564,068
Net profit for the financial year	-	-	-	-	-	-	1,061,411	1,061,411	-	1,061,411
Fair value losses during the year	-	-	-	-	(278,251)	-	-	(278,251)	-	(278,251)
Amounts transferred to income statement	-	-	-	-	272,612	-	-	272,612	-	272,612
Other comprehensive income	-	-	-	(107)	-	4,279	-	4,172	-	4,172
Total comprehensive income	-	-	-	(107)	(5,639)	4,279	1,061,411	1,059,944	-	1,059,944
Issuance of ordinary shares pursuant to the Employee Share Option Scheme ('ESOS')	32	1,570	15,378	-	-	-	-	16,948	-	16,948
At 31 December 2010	2,773,437	277,344	1,221,594	485	(71,309)	110,275	2,102,571	3,640,960	-	3,640,960

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COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	Issued and fully paid ordinary shares of RM0.10 each		Cash flow			Non-distributable		Distributable		Total RM'000
		Number of shares '000	Nominal value RM'000	reserve RM'000	hedge reserve RM'000	AFS reserve RM'000	Share premium RM'000	Retained earnings RM'000			
At 1 January 2011		2,773,437	277,344	(71,309)	110,275	1,221,594	2,102,501	3,640,405			
Net profit for the financial year		-	-	-	-	-	553,367	553,367			553,367
Fair value gains during the year		-	-	8,962	-	-	-	8,962			8,962
Amounts transferred to income statement		-	-	(97,016)	-	-	-	(97,016)			(97,016)
Total comprehensive income		-	-	(88,054)	-	-	553,367	465,313			465,313
Dividends paid	34	-	-	-	-	-	(76,965)	(76,965)			(76,965)
Issuance of shares - pursuant to the Employee Share Option Scheme ('ESOS')	32	4,650	465	-	-	4,556	-	-			5,021
At 31 December 2011		2,778,087	277,809	(159,363)	110,275	1,226,150	2,578,903	4,033,774			4,033,774

AIRASIA BERHAD  
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COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

	Issued and fully paid ordinary shares of RM0.10 each		Cash flow			Non-distributable		Distributable	Total RM'000
	Number of shares '000	Nominal value RM'000	hedge reserve RM'000	AFS reserve RM'000	Share premium RM'000	Retained earnings RM'000			
At 1 January 2010	2,757,745	275,774	(65,670)	105,996	1,206,216	1,047,426	2,569,742		
Net profit for the financial year	-	-	-	-	-	1,055,075	1,055,075	1,055,075	
Fair value losses during the year Amounts transferred to income statement	-	-	(278,251)	-	-	-	(278,251)	(278,251)	
Other comprehensive income	-	-	272,612	-	-	-	272,612	272,612	
Total comprehensive income	-	-	(5,639)	4,279	-	-	1,053,715	1,053,715	
Issuance of shares - pursuant to the Employee Share Option Scheme (‘ESOS’)	32	1,570	-	-	15,378	-	16,948	16,948	
At 31 December 2010	2,773,437	277,344	(71,309)	110,275	1,221,594	2,102,501	3,640,405	3,640,405	

**AIRASIA BERHAD**  
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**CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	777,017	1,098,856	775,009	1,092,506
Adjustments:				
Property, plant and equipment				
- Depreciation	570,909	519,984	570,755	519,958
- Write off	1,089	-	-	-
- Impairment	16,983	6,996	16,983	6,996
- Gain on disposals	(198,923)	(1,311)	(198,923)	(1,311)
Impairment loss on goodwill	1,404	-	-	-
Impairment of investment in subsidiary	-	-	1,904	-
Amortisation of other investments	25	12	25	12
Unwinding of discount on related party receivables	(22,656)	(9,647)	(22,656)	(9,647)
Fair value (gains)/losses on derivative financial instruments	(41,515)	295,028	(41,515)	295,028
Share of results of jointly controlled entities	(11,980)	-	-	-
Share of results of associates	5,652	-	-	-
Net unrealised foreign exchange loss/(gain)	150,234	(586,755)	150,234	(586,760)
Interest expense	368,007	374,364	368,007	374,364
Interest income	(43,422)	(66,699)	(43,422)	(66,689)
	1,572,824	1,630,828	1,576,401	1,624,457
Changes in working capital:				
Inventories	(2,177)	3,311	(2,725)	3,311
Receivables and prepayments	(261,860)	(162,883)	(252,196)	(139,046)
Trade and other payables	272,573	63,453	235,716	35,177
Related party balances	169,205	393,568	97,760	401,920
	Cash generated from operations	1,928,277	1,654,956	1,925,819
Interest paid	(367,707)	(379,099)	(367,707)	(379,099)
Interest received	43,422	57,052	43,422	57,042
Tax paid	(22,381)	(11,808)	(21,430)	(11,319)
	Net cash from operating activities	1,594,422	1,309,241	1,592,443



**AIRASIA BERHAD**  
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**CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Property, plant and equipment					
- Additions		(612,393)	(1,902,833)	(612,294)	(1,902,253)
- Proceeds from disposals		387,960	-	387,960	-
Investment in a subsidiary company		-	-	-	(3,190)
Investment in a jointly-controlled entity		(111,674)	-	(81,559)	-
Investment in an associate		(44,702)	-	-	-
Deposits on aircraft purchase		(106,662)	50,808	(106,662)	50,808
Purchases of available-for-sale financial assets		-	(16,000)	-	(16,000)
Net cash used in investing activities		<u>(487,471)</u>	<u>(1,868,025)</u>	<u>(412,555)</u>	<u>(1,870,635)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from allotment of shares		5,021	16,948	5,021	16,948
Hire-purchase instalments paid		(15)	(57)	(15)	(57)
Proceeds from borrowings		508,148	1,587,597	508,148	1,587,597
Repayment of borrowings		(752,224)	(572,580)	(752,224)	(572,580)
Dividends paid		(76,965)	-	(76,965)	-
Deposits released/(pledged) as securities		16,395	(942)	16,395	(942)
Net cash (used in)/from financing activities		<u>(299,640)</u>	<u>1,030,966</u>	<u>(299,640)</u>	<u>1,030,966</u>
NET INCREASE FOR THE FINANCIAL YEAR		616,788	757,363	597,046	752,774
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		<u>1,475,828</u>	<u>718,465</u>	<u>1,470,272</u>	<u>717,498</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	27	<u><u>2,092,616</u></u>	<u><u>1,475,828</u></u>	<u><u>2,067,318</u></u>	<u><u>1,470,272</u></u>

**AIRASIA BERHAD**  
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**CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**SIGNIFICANT NON-CASH TRANSACTIONS**

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Total purchase of property, plant and equipment during the financial year	12	(1,281,964)	(1,902,833)	(1,281,865)	(1,902,253)
Settlement by lessors on behalf of the Company for purchase of aircraft		669,571	-	669,571	-
Net cash used in purchase of property, plant and equipment		<u>(612,393)</u>	<u>(1,902,833)</u>	<u>(612,294)</u>	<u>(1,902,253)</u>
Net book value of property, plant and equipment disposed during the financial year	12	1,424,573	-	1,424,573	-
Gain on disposal of property, plant and equipment		198,923	-	198,923	-
Total proceeds from disposal of property, plant and equipment		1,623,496	-	1,623,496	-
Settlement by lessors on behalf of the Company for purchase of aircraft		(669,571)	-	(669,571)	-
Advances to an associate for purchase of property, plant and equipment		(565,965)	-	(565,965)	-
Net cash proceeds received from disposal of property, plant and equipment		<u>387,960</u>	<u>-</u>	<u>387,960</u>	<u>-</u>

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**AIRASIA BERHAD**  
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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011

### 1 GENERAL INFORMATION

The principal activity of the Company is that of providing air transportation services. The principal activities of the subsidiaries are described in Note 13 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

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

25-5, Block H  
Jalan PJU1/37, Dataran Prima  
47301 Petaling Jaya  
Selangor Darul Ehsan

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

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

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 April 2012.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ('FRS'), the Malaysian Accounting Standards Board ('MASB') Approved Accounting Standards in Malaysia for Entities Other than Private Entities, and comply with the provisions of the Companies Act, 1965.

The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS and the provisions of the Companies Act, 1965 requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's and the Company's financial statements are disclosed in Note 3 to the financial statements.

**AIRASIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations to existing standards that are effective for the Group and Company's financial year beginning on or after 1 January 2011 are as follows:

- FRS 1 (revised) "First-time Adoption of Financial Reporting Standards" and the related Amendments
- FRS 3 (revised) "Business Combinations"
- FRS 127 (revised) "Consolidated and Separate Financial Statements"
- Amendment to FRS 2 "Share-based Payment: - Group Cash-settled Share-based Payment Transactions"
- Amendment to FRS 7 "Financial Instruments: - Disclosures: - Improving Disclosures about Financial Instruments"
- Amendments to IC Interpretation 9 "Reassessment of Embedded Derivatives"
- Amendments to FRS 132 "Financial Instruments: - Presentation: - Classification of Rights Issues"
- IC Interpretation 4 "Determining Whether an Arrangement Contains a Lease"
- IC Interpretation 12 "Service Concession Arrangements"
- IC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation"
- IC Interpretation 17 "Distribution of Non-cash Assets to Owners"
- IC Interpretation 18 "Transfers of Assets from Customers"
- Improvements to FRSs (2010)

The adoption of the above FRSs, amendments to FRSs and IC Interpretations did not have any material effect on the financial statements of the Group and the Company, other than enhanced disclosures, in relation to Amendment to FRS 7 "Financial Instruments: - Disclosures: - Improving Disclosures about Financial Instruments".

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

In the next financial year, the Group will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). In adopting the new framework, the Group will be applying MFRS 1 "First-time adoption of MFRS". MFRS 1 provides for certain optional exemption and certain mandatory exception for first-time MFRS adopters.

(i) Financial year beginning on/after 1 January 2012

- The revised MFRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

## (i) Financial year beginning on/after 1 January 2012 (continued)

The initial application of the Standard is not expected to have a material impact to the financial statements of the Group.

- Amendment to MFRS 112 "Income taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 "Investment property". As a result of the amendments, IC Interpretation 121 "Income taxes - recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn.
- IC Interpretation 19 "Extinguishing financial liabilities with equity instruments" (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss.
- Amendments to IC Interpretation 14 "MFRS 119 - The limit on a defined benefit assets, minimum funding requirements and their interaction" (effective from 1 July 2011) permits an entity to recognise the prepayments of contributions as an asset, rather than an expense in circumstances when the entity is subject to a minimum funding requirement and makes an early payment of contributions to meet those requirements.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

(i) Financial year beginning on/after 1 January 2012 (continued)

- Amendment to MFRS 1 "First time adoption on fixed dates and hyperinflation" (effective from 1 January 2012) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to MFRSs', thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation.
- Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets" (effective from 1 January 2012) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

(ii) Financial year beginning on/after 1 January 2013

- MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)
- (ii) Financial year beginning on/after 1 January 2013 (continued)
- MFRS 11 “Joint arrangements” (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
  - MFRS 12 “Disclosures of interests in other entities” (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 “Investments in associates”. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.
  - MFRS 13 “Fair value measurement” (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 “Financial instruments: Disclosures”, but apply to all assets and liabilities measured at fair value, not just financial ones.
  - The revised MFRS 127 “Separate financial statements” (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

(ii) Financial year beginning on/after 1 January 2013 (continued)

- The revised MFRS 128 "Investments in associates and joint ventures"(effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.
- Amendment to MFRS 101 "Presentation of items of other comprehensive income" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.
- Amendment to MFRS 119 "Employee benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

(iii) Financial year beginning on/after 1 January 2015

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.



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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iii) Financial year beginning on/after 1 January 2015 (continued)

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The Group and the Company have started a preliminary assessment of the differences between FRS and accounting standards under the MFRS Framework and are in the process of assessing the financial effects of the differences. Accordingly, the financial performance and financial position as disclosed in their financial statements for the financial year ended 31 December 2011 could be different if prepared under MFRS Framework.

The Group and the Company expects to be in position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those corporations or other entities (including special purpose entities) in which the Group has power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effects of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation (continued)

(i) Subsidiaries

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in profit or loss. Refer to accounting policy Note 2(d) on goodwill.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated

Change in accounting policy

The Group has changed its accounting policy on business combinations and accounting for non-controlling interest when it adopted the revised FRS 3 "Business combinations" and FRS 127 "Consolidated and separate financial statements".

Previously, contingent consideration in a business combination was recognised when it is probable that payment will be made. Acquisition-related costs were included as part of the cost of business combination. Any non-controlling interest in the acquiree was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group was accounted for as a revaluation.

The Group has applied the new policies prospectively to transactions occurring on or after 1 January 2011. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

Previously, the Group had stopped attributing losses to the non-controlling interest because the losses exceeded the carrying amount of the non controlling interest. The Group has applied this policy prospectively. On the date of adoption of the new policy, the non-controlling interest reflects its previous carrying amount (that is, zero).

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(c) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. This may indicate an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in profit or loss attributable to the parent.

(ii) Jointly controlled entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operation decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting involves recognising the Group's share of the post-acquisition results of jointly controlled entities in profit or loss and its share of post-acquisition changes of the investee's reserves in other comprehensive income. The cumulative post-acquisition changes are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment loss).

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised within reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in jointly controlled entities equals or exceeds its interest in the jointly controlled entities, including any other long-term interests that, in substance, form part of the Group's net investment in those entities, the Group discontinues recognising its share of further losses.

After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entities. If the jointly controlled entities subsequently report profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(c) Basis of consolidation (continued)

(ii) Jointly controlled entities (continued)

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the jointly controlled entities to ensure consistency of accounting policies with those of the Group.

(iii) Associates

Associates are corporations, partnerships or other entities in which the Group exercises significant influence but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not power to exercise control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition (see Note 2(d)), net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. If the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that in substance, forms part of the Group's net investment in the associate.

After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the associates to ensure consistency of accounting policies with those of the Group.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(d) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the Group's share of the fair value of the identifiable net assets at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when events or circumstances occur indicating that an impairment may exist. Impairment loss on goodwill is charged to the consolidated income statement as and when it arises. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary disposed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit or a group of cash-generating units represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination.

Goodwill on acquisition of jointly controlled entities and associates is included in the investments in jointly controlled entities and associates respectively. Such goodwill is tested for impairment as part of the overall investment amount.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated using the straight-line method to write-off the cost of the assets to their residual values over their estimated useful lives. The useful lives for this purpose are as follows:

Aircraft	
- engines	7 or 25 years
- airframe	7 or 25 years
- service potential	7 or 13 years
Aircraft spares	10 years
Aircraft fixtures and fittings	Useful life of aircraft or remaining lease term of aircraft, whichever is shorter
Buildings	
- simulator	28.75 years
- hangar	50 years

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(e) Property, plant and equipment (continued)

The useful lives for this purpose are as follows: (continued)

Motor vehicles	5 years
Office equipment, furniture and fittings	5 years
Office renovation	5 years
Simulator equipment	25 years
Operating plant and ground equipment	5 years
Kitchen equipment	5 years
In flight equipment	5 years
Training equipment	5 years

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

Residual values, where applicable, are reviewed annually against prevailing market rates at the balance sheet date for equivalent aged assets and depreciation rates are adjusted accordingly on a prospective basis. For the current financial year ended 31 December 2011, the estimated residual value for aircraft airframes and engines is 10% of their cost (2010: 10% of their cost).

An element of the cost of an acquired aircraft is attributed on acquisition to its service potential, reflecting the maintenance condition of its engines and airframe. This cost, which can equate to a substantial element of the total aircraft cost, is amortised over the shorter of the period to the next checks or the remaining life of the aircraft.

The cost of subsequent major airframe and engine maintenance checks as well as upgrades to leased assets are capitalised and amortised over the shorter of the period to the next check or the remaining life of the aircraft.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(g) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the income statement.

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

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(f) Investments

In the Company's separate financial statements, investments in subsidiaries, jointly controlled entities and associates are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see Note 2(g)).

(g) Impairment of assets

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

Any impairment loss arising is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

(h) Maintenance and overhaul

Owned aircraft

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

Leased aircraft

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

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Leases**

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payment. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease contracts are depreciated over the estimated useful life of the asset, in accordance with the annual rates stated in Note 2(e) above. Where there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its useful life.

Operating leases

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

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

**(j) Inventories**

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

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

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



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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(k) Financial assets

(i) Classification

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables

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

Available-for-sale financial assets

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

(ii) Recognition and initial measurement

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

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

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(k) Financial assets (continued)

(iii) Subsequent measurement – gains and losses

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

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 2(k)(iv)) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in the income statement, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

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

(iv) Subsequent measurement – Impairment of financial assets

Assets carried at amortised cost

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

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(k) Financial assets (continued)

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

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

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

Assets classified as available-for-sale

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

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

Impairment testing on trade receivables is described in accounting policy Note 2(n).

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(k) Financial assets (continued)

(v) De-recognition

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

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

(l) Offsetting financial instruments

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

(m) Derivative financial instruments and hedging activities

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

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 23. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Cash flow hedge

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

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

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

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

(n) Trade receivables

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

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

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(o) Cash and cash equivalents

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

(p) Provisions

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

(q) Share capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity.

(ii) Share issue costs

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

(iii) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as a liability in the period in which they are declared. A dividend declared after the end of the reporting period, but before the financial statements are authorised for issue, is not recognised as a liability at the end of the reporting period.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. The finance costs, which represent the difference between the initial recognised amount and the redemption value is recognised in the financial statements over the period of the borrowings using the effective interest method.

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

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

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(s) **Income taxes**

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries, jointly controlled entities or associates.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised for the carry forward of unused tax losses and tax credits (including investment tax allowances) to the extent that it is probable that taxable profits will be available against which the unutilised tax losses and unused tax credits can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group's share of income taxes of jointly controlled entities and associates are included in the Group's share of results of jointly controlled entities and associates.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(t) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plan

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

(iii) Share based payments

FRS 2 – Share-based Payment requires recognition of share-based payment transactions including the value of share options in the financial statements. There is no impact on the financial statements of the Group following the prospective application of FRS 2 in 2006 as all the share options of the Company were fully vested prior to the effective date of the standard.

(u) Revenue recognition

Scheduled passenger flight and chartered flight income are recognised upon the rendering of transportation services and where applicable, are stated net of discounts. The value of seats sold for which services have not been rendered is included in current liabilities as sales in advance. Revenue from aircraft rentals is recorded on a straight-line basis over the term of the lease.

Other revenue which includes fuel surcharge, insurance surcharge, administrative fees, excess baggage and baggage handling fees, are recognised upon the completion of services rendered and where applicable, are stated net of discounts. Freight and other related revenue are recognised upon the completion of services rendered and where applicable, are stated net of discounts. Income from the provision of tour operations (both inbound and outbound) and travel agency services is recognised upon services being rendered and where applicable, are stated net of discounts.

Rental income is recognised on an accrual basis.

Brand license fee is recognised on an accrual basis in accordance with the substance of the agreement.



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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(u) Revenue recognition (continued)**

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

The Group operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are recognised at their fair value. Revenue from the award points is recognised when the points are redeemed. The amount of revenue is based on the number of points redeemed and the fair value at which they are recognised. Award points expire 36 months after the initial sale.

**(v) Foreign currencies**

**(i) Functional and presentation currency**

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

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Foreign currencies (continued)

(iii) Group companies

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is disposed of or sold, such exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal.

(w) Trade payables

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

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

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(x) Contingent liabilities**

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

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

**(y) Segment reporting**

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

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

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

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

Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives and residual values of aircraft airframes and engines as disclosed in Note 2(e), would increase the recorded depreciation charge and decrease the carrying amount of property, plant and equipment.

(ii) Deferred tax assets

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

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**4 REVENUE**

	<u>Group</u>		<u>Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	RM'000	RM'000	RM'000	RM'000
Passenger seat sales	3,056,082	2,830,920	3,056,082	2,830,920
Baggage fees	362,597	290,392	362,597	290,392
Aircraft operating lease income	495,416	395,943	495,416	395,943
Surcharges and fees	139,313	13,938	139,313	13,938
Travel and tour operations	45,208	83,636	-	-
Other revenue	396,525	333,266	396,525	333,266
	<u>4,495,141</u>	<u>3,948,095</u>	<u>4,449,933</u>	<u>3,864,459</u>

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

**5 STAFF COSTS**

	<u>Group</u>		<u>Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, bonus and allowances	440,458	318,316	438,938	316,642
Defined contribution retirement plan	43,719	42,469	43,588	42,299
	<u>484,177</u>	<u>360,785</u>	<u>482,526</u>	<u>358,941</u>

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

	<u>Group and Company</u>	
	<u>2011</u>	<u>2010</u>
	RM'000	RM'000
<u>Executive Directors</u>		
- basic salaries, bonus and allowances	13,050	14,400
- defined contribution plan	1,566	1,728
<u>Non-executive Directors</u>		
- fees	1,706	2,203
	<u>16,322</u>	<u>18,331</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

5 STAFF COSTS (CONTINUED)

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

	Executive		Non-executive	
	2011	2010	2011	2010
<u>Range of remuneration</u>				
RM100,001 to RM150,000	-	-	2	-
RM150,001 to RM200,000	-	-	1	-
RM200,001 to RM250,000	-	-	1	-
RM250,001 to RM300,000	-	-	3	-
RM300,001 to RM350,000	-	-	1	2
RM350,001 to RM400,000	-	-	-	3
RM450,001 to RM500,000	-	-	-	1
RM4,000,001 to RM5,000,000	-	-	-	-
RM5,000,001 to RM6,000,000	-	-	-	-
RM6,000,001 to RM7,000,000	1	-	-	-
RM7,000,001 to RM8,000,000	-	1	-	-
RM8,000,001 to RM9,000,000	1	1	-	-
	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>

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

<u>Grant date</u>	<u>Expiry date</u>	<u>Exercise price RM/share</u>	<u>At 1.1.2011 '000</u>	<u>Exercised '000</u>	<u>Lapsed '000</u>	<u>At 31.12.2011 '000</u>	
1 September 2004	6 June 2014	1.08	1,200	(600)	-	600	
					<u>2011 '000</u>	<u>2010 '000</u>	
Number of share options vested at balance sheet date						<u>600</u>	<u>1,200</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**6 OTHER OPERATING EXPENSES**

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

	<u>Group</u>		<u>Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	RM'000	RM'000	RM'000	RM'000
Impairment of investment in subsidiary	-	-	1,904	-
Property, plant and equipment				
- Written off	1,089	-	-	-
- Impairment loss	16,983	6,996	16,983	6,996
Rental of land and building	2,810	10,877	2,810	10,877
Auditors' remuneration				
- audit fees	595	586	566	556
- audit related fees	-	255	-	255
- non-audit fees	245	1,494	245	1,494
Rental of equipment	3,095	2,151	3,095	2,151
Advertising costs	40,796	28,993	36,324	26,008
Amortisation of other investments	25	12	25	12
Impairment loss on goodwill	1,404	-	-	-
Net foreign exchange (gain)/loss from operations				
- Realised	37,112	(7,125)	36,895	(7,489)
- Unrealised	(24,277)	64,601	(24,277)	64,596
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**7 OTHER LOSSES – NET**

	<u>Group and Company</u>	
	<u>2011</u>	<u>2010</u>
	RM'000	RM'000
Interest rate contracts – Held for trading	(61,422)	(42,585)
Forward foreign exchange contracts – Held for trading	-	25,391
Fuel contracts – Held for trading	4,231	832
Ineffectiveness on cash flow hedges (Note 23)	1,690	(6,054)
Total	<u>(55,501)</u>	<u>(22,416)</u>

**8 OTHER INCOME**

	<u>Group</u>		<u>Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	RM'000	RM'000	RM'000	RM'000
Gain on disposals of property, plant and equipment	198,923	1,311	198,923	1,311
Others	93,434	34,632	93,233	34,056
	<u>292,357</u>	<u>35,943</u>	<u>292,156</u>	<u>35,367</u>

Other income ('others') includes brand licence fees, commission income and advertising income.

**AIRASIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**9 FINANCE INCOME/(COSTS)**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Finance income:				
- deposits with licensed banks	949	826	949	826
- short term deposits with fund management companies	2,927	2,692	2,927	2,692
- interest income on amounts due from associates and jointly-controlled entities	48,467	53,925	48,467	53,925
- other interest income	13,735	9,256	13,713	9,246
	66,078	66,699	66,056	66,689
Finance costs:				
Interest expense				
- bank borrowings	(342,268)	(347,321)	(342,268)	(347,321)
- fair value movement recycled from cash flow hedge reserve	(25,739)	(27,043)	(25,739)	(27,043)
- amortisation of premiums for interest rate caps	(8,247)	(7,750)	(8,247)	(7,750)
- hire-purchase payables	(3)	(10)	(3)	(10)
Bank facilities and other charges	(1,637)	(2,216)	(1,608)	(2,212)
	(377,894)	(384,340)	(377,865)	(384,336)
Net finance costs	(311,816)	(317,641)	(311,809)	(317,647)

**FOREIGN EXCHANGE (LOSSES)/GAINS**

Borrowings:				
- realised	(2,520)	(29,208)	(2,520)	(29,208)
- unrealised	(187,968)	741,334	(187,968)	741,334
- fair value movement recycled from cash flow hedge reserve	97,016	(272,612)	97,016	(272,612)
	(93,472)	439,514	(93,472)	439,514



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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

10 TAXATION

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current taxation	18,578	16,207	18,578	16,193
Over accrual of income tax in prior years	(45)	(10,776)	(45)	(10,776)
	<u>18,533</u>	<u>5,431</u>	<u>18,533</u>	<u>5,417</u>
Deferred taxation (Note 19)	203,160	32,014	203,109	32,014
	<u>221,693</u>	<u>37,445</u>	<u>221,642</u>	<u>37,431</u>
Current taxation				
- Current financial year	18,578	16,207	18,578	16,193
- Over accrual of income tax in prior years	(45)	(10,776)	(45)	(10,776)
	<u>18,533</u>	<u>5,431</u>	<u>18,533</u>	<u>5,417</u>
Deferred taxation				
- Origination and reversal of temporary differences	208,908	197,852	208,857	197,852
- Tax incentives	(5,748)	(165,838)	(5,748)	(165,838)
	<u>203,160</u>	<u>32,014</u>	<u>203,109</u>	<u>32,014</u>
	<u>221,693</u>	<u>37,445</u>	<u>221,642</u>	<u>37,431</u>

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

The explanation of the relationship between taxation and profit before taxation is as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit before taxation	<u>777,017</u>	<u>1,098,856</u>	<u>775,009</u>	<u>1,092,506</u>
Tax calculated at Malaysian tax rate of 25% (2010: 25%)	194,254	274,714	193,752	273,127
Tax effects of:				
- expenses not deductible for tax purposes	61,803	18,078	62,254	19,651
- income not subject to tax	(28,594)	(79,245)	(28,594)	(79,245)
- temporary differences not recognised within the pioneer period	23	512	23	512
- tax incentives	(5,748)	(165,838)	(5,748)	(165,838)
- over accrual of income tax in prior years	(45)	(10,776)	(45)	(10,776)
Taxation	<u>221,693</u>	<u>37,445</u>	<u>221,642</u>	<u>37,431</u>

**AIRASIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**11 EARNINGS PER SHARE**

(a) Basic earnings per share

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

	<u>2011</u>	<u>Group 2010</u>
Profit for the financial year (RM'000)	555,324	1,061,411
Weighted average number of ordinary shares in issue ('000)	2,776,059	2,761,637
Earnings per share (sen)	<u>20.0</u>	<u>38.4</u>

(b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

The Group has dilutive potential ordinary shares arising from the Company's share options granted to employees.

In assessing the dilution in earnings per share arising from the issue of share options, a computation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. This computation serves to determine the "bonus" element to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit for the financial year in the calculation of the diluted earnings per share from the issue of the share options.

The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	<u>2011</u>	<u>Group 2010</u>
Profit for the financial year (RM'000)	555,324	1,061,411
Weighted average number of ordinary shares in issue ('000)	2,776,059	2,761,637
Adjustment for ESOS ('000)	5,095	8,644
Weighted average number of ordinary shares for diluted earnings per share	<u>2,781,154</u>	<u>2,770,281</u>
Diluted earnings per share (sen)	<u>20.0</u>	<u>38.3</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

12 **PROPERTY, PLANT AND EQUIPMENT**

<u>Group</u>	<u>At</u> <u>1 January 2011</u> RM'000	<u>Additions</u> RM'000	<u>Disposals</u> RM'000	<u>Write off</u> RM'000	<u>Depreciation</u> <u>charge</u> RM'000	<u>Impairment</u> <u>loss</u> RM'000	<u>At</u> <u>31 December 2011</u> RM'000
<u>Net book value</u>							
Aircraft engines, airframe and service potential	9,045,624	1,210,565	(1,354,961)	-	(521,438)	-	8,379,790
Aircraft spares	125,781	22,843	(1,198)	-	(21,039)	(16,983)	109,404
Aircraft fixtures and fittings	22,763	6,031	(2,940)	-	(10,199)	-	15,655
Buildings	37,387	-	-	-	(1,408)	-	35,979
Motor vehicles	6,782	585	-	(605)	(2,285)	-	4,477
Office equipment, furniture and fittings	18,617	7,699	(404)	(270)	(6,144)	-	19,498
Office renovation	2,818	4,705	-	(20)	(1,458)	-	6,045
Simulator equipment	45,684	21,869	(65,038)	-	(1,363)	-	1,152
Operating plant and ground equipment	9,408	5,753	(4)	-	(4,263)	-	10,894
Kitchen equipment	194	-	-	(194)	-	-	-
In flight equipment	1,057	664	(28)	-	(312)	-	1,381
Training equipment	1,926	1,250	-	-	(1,000)	-	2,176
	<u>9,318,041</u>	<u>1,281,964</u>	<u>(1,424,573)</u>	<u>(1,089)</u>	<u>(570,909)</u>	<u>(16,983)</u>	<u>8,586,451</u>

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**AIRASIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

12 **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<u>Group</u>	<u>Cost</u> RM'000	<u>Accumulated depreciation</u> RM'000	<u>Accumulated impairment loss</u> RM'000	<u>Net book value</u> RM'000
<u>At 31 December 2011</u>				
Aircraft engines, airframe and service potential	10,127,194	(1,747,404)	-	8,379,790
Aircraft spares	216,049	(89,662)	(16,983)	109,404
Aircraft fixtures and fittings	71,524	(55,869)	-	15,655
Buildings	41,204	(5,225)	-	35,979
Motor vehicles	18,599	(14,122)	-	4,477
Office equipment, furniture and fittings	55,602	(36,104)	-	19,498
Office renovation	15,339	(9,294)	-	6,045
Simulator equipment	4,943	(3,791)	-	1,152
Operating plant and ground equipment	33,529	(22,635)	-	10,894
Kitchen equipment	8	(8)	-	-
In flight equipment	1,968	(587)	-	1,381
Training equipment	4,348	(2,172)	-	2,176
	<u>10,590,307</u>	<u>(1,986,873)</u>	<u>(16,983)</u>	<u>8,586,451</u>

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**AIRASIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

12 **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<u>Group</u>	<u>At</u> <u>1 January 2010</u> RM'000	<u>Additions</u> RM'000	<u>Reclassi- fications</u> RM'000	<u>Impairment</u> RM'000	<u>Depreciation charge</u> RM'000	<u>At</u> <u>31 December 2010</u> RM'000
<u>Net book value</u>						
Aircraft engines, airframe and service potential	7,676,107	1,847,573	-	(6,996)	(471,060)	9,045,624
Aircraft spares	118,694	27,118	-	-	(20,031)	125,781
Aircraft fixtures and fittings	28,342	5,902	-	-	(11,481)	22,763
Buildings	37,990	842	-	-	(1,445)	37,387
Motor vehicles	4,961	4,282	-	-	(2,461)	6,782
Office equipment, furniture and fittings	11,208	11,990	-	-	(4,581)	18,617
Office renovation	2,870	1,458	-	-	(1,510)	2,818
Simulator equipment	47,670	58	-	-	(2,044)	45,684
Operating plant and ground equipment	10,989	2,419	566	-	(4,566)	9,408
Kitchen equipment	194	-	-	-	-	194
In flight equipment	423	826	-	-	(192)	1,057
Training equipment	2,174	365	-	-	(613)	1,926
Assets not yet in operation	566	-	(566)	-	-	-
	<u>7,942,188</u>	<u>1,902,833</u>	<u>-</u>	<u>(6,996)</u>	<u>(519,984)</u>	<u>9,318,041</u>

**AIRASIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

12 **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<u>Group</u>	<u>Cost</u> RM'000	<u>Accumulated depreciation</u> RM'000	<u>Accumulated impairment loss</u> RM'000	<u>Net book value</u> RM'000
<u>At 31 December 2010</u>				
Aircraft engines, airframe and service potential	10,476,156	(1,423,536)	(6,996)	9,045,624
Aircraft spares	195,155	(69,374)	-	125,781
Aircraft fixtures and fittings	71,504	(48,741)	-	22,763
Buildings	41,204	(3,817)	-	37,387
Motor vehicles	18,619	(11,837)	-	6,782
Office equipment, furniture and fittings	49,116	(30,499)	-	18,617
Office renovation	10,655	(7,837)	-	2,818
Simulator equipment	55,988	(10,304)	-	45,684
Operating plant and ground equipment	28,121	(18,713)	-	9,408
Kitchen equipment	202	(8)	-	194
In flight equipment	1,385	(328)	-	1,057
Training equipment	3,098	(1,172)	-	1,926
	<u>10,951,203</u>	<u>(1,626,166)</u>	<u>(6,996)</u>	<u>9,318,041</u>

**AIRASIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

12 **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<u>Company</u>	<u>At</u> <u>1 January 2011</u> RM'000	<u>Additions</u> RM'000	<u>Disposals</u> RM'000	<u>Impairment</u> <u>loss</u> RM'000	<u>Depreciation</u> <u>charge</u> RM'000	<u>At</u> <u>31 December 2011</u> RM'000
<u>Net book value</u>						
Aircraft engines, airframe and service potential	9,045,624	1,210,565	(1,354,961)	-	(521,438)	8,379,790
Aircraft spares	125,781	22,843	(1,198)	(16,983)	(21,039)	109,404
Aircraft fixtures and fittings	22,763	6,031	(2,940)	-	(10,199)	15,655
Buildings	37,387	-	-	-	(1,408)	35,979
Motor vehicles	6,177	585	-	-	(2,285)	4,477
Office equipment, furniture and fittings	17,987	7,600	(404)	-	(5,990)	19,193
Office renovation	2,798	4,705	-	-	(1,458)	6,045
Simulator equipment	45,684	21,869	(65,038)	-	(1,363)	1,152
Operating plant and ground equipment	9,408	5,753	(4)	-	(4,263)	10,894
In flight equipment	1,057	664	(28)	-	(312)	1,381
Training equipment	1,926	1,250	-	-	(1,000)	2,176
	<u>9,316,592</u>	<u>1,281,865</u>	<u>(1,424,573)</u>	<u>(16,983)</u>	<u>(570,755)</u>	<u>8,586,146</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
<u>At 31 December 2011</u>				
Aircraft engines, airframe and service potential	10,127,194	(1,747,404)	-	8,379,790
Aircraft spares	216,049	(89,662)	(16,983)	109,404
Aircraft fixtures and fittings	71,524	(55,869)	-	15,655
Buildings	41,204	(5,225)	-	35,979
Motor vehicles	18,606	(14,129)	-	4,477
Office equipment, furniture and fittings	55,119	(35,926)	-	19,193
Office renovation	15,339	(9,294)	-	6,045
Simulator equipment	4,943	(3,791)	-	1,152
Operating plant and ground equipment	33,529	(22,635)	-	10,894
In flight equipment	1,968	(587)	-	1,381
Training equipment	4,348	(2,172)	-	2,176
	<u>10,589,823</u>	<u>(1,986,694)</u>	<u>(16,983)</u>	<u>8,586,146</u>



## AIRASIA BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Company</u>	<u>At</u> <u>1 January 2010</u> RM'000	<u>Additions</u> RM'000	<u>Reclassi- fications</u> RM'000	<u>Impairment loss</u> RM'000	<u>Depreciation charge</u> RM'000	<u>At</u> <u>31 December 2010</u> RM'000
<u>Net book value</u>						
Aircraft engines, airframe and service potential	7,676,107	1,847,573	-	(6,996)	(471,060)	9,045,624
Aircraft spares	118,694	27,118	-	-	(20,031)	125,781
Aircraft fixtures and fittings	28,342	5,902	-	-	(11,481)	22,763
Buildings	37,990	842	-	-	(1,445)	37,387
Motor vehicles	4,356	4,282	-	-	(2,461)	6,177
Office equipment, furniture and fittings	11,112	11,431	-	-	(4,556)	17,987
Office renovation	2,870	1,437	-	-	(1,509)	2,798
Simulator equipment	47,670	58	-	-	(2,044)	45,684
Operating plant and ground equipment	10,989	2,419	566	-	(4,566)	9,408
In flight equipment	423	826	-	-	(192)	1,057
Training equipment	2,174	365	-	-	(613)	1,926
Assets not yet in operation	566	-	(566)	-	-	-
	<u>7,941,293</u>	<u>1,902,253</u>	<u>-</u>	<u>(6,996)</u>	<u>(519,958)</u>	<u>9,316,592</u>

**AIRASIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

12 **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Company	<u>Cost</u> RM'000	<u>Accumulated depreciation</u> RM'000	<u>Accumulated impairment loss</u> RM'000	<u>Net book value</u> RM'000
<u>At 31 December 2010</u>				
Aircraft engines, airframe and service potential	10,476,156	(1,423,536)	(6,996)	9,045,624
Aircraft spares	195,155	(69,374)	-	125,781
Aircraft fixtures and fittings	71,504	(48,741)	-	22,763
Buildings	41,204	(3,817)	-	37,387
Motor vehicles	18,021	(11,844)	-	6,177
Office equipment, furniture and fittings	48,462	(30,475)	-	17,987
Office renovation	10,634	(7,836)	-	2,798
Simulator equipment	55,988	(10,304)	-	45,684
Operating plant and ground equipment	28,121	(18,713)	-	9,408
In flight equipment	1,385	(328)	-	1,057
Training equipment	3,098	(1,172)	-	1,926
	<u>10,949,728</u>	<u>(1,626,140)</u>	<u>(6,996)</u>	<u>9,316,592</u>

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

	<u>Group and Company</u>	
	<u>2011</u>	<u>2010</u>
	RM'000	RM'000
Net book value of owned aircraft sub-leased out	3,068,452	3,445,485
Aircraft pledged as security for borrowings (Note 31)	8,363,292	9,030,028
Simulator pledged as security for borrowings (Note 31)	-	41,371
Motor vehicles on hire-purchase	-	16
	<u>11,431,744</u>	<u>12,526,900</u>

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

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