Company No.	
734161	K

AIRASIA X BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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Company No.	
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(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of providing long haul air transportation services. The principal activities of the subsidiaries are described in Note 15 to the financial statements. There were no significant changes in the nature of the activities of the Company and the subsidiaries during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year	(88,267)	(88,079)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2013.

RESERVES AND PROVISIONS

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

ISSUANCE OF SHARES

On 10 May 2013, all the outstanding 42,666,667 Redeemable Convertible Preference Shares ("RCPS") of RM1 each in the Company was converted on a one-to-one basis, into 42,666,667 new ordinary shares of RM1 each in the Company, without consideration. On 13 May 2013, the Company cancelled its authorised share capital for RCPS of RM1 each, amounting to RM50,000,000.

During the financial year, the Company implemented the following transactions as part of an initial public offering ("IPO") exercise:

(i) On 13 May 2013, the Company subdivided all of its existing 266,666,668 ordinary shares of RM1 each into 1,777,777,787 ordinary shares of RM0.15 each, by way of every three (3) ordinary shares of RM1 each into twenty (20) ordinary shares of RM0.15 each in the Company. On that same date, the Company increased its authorised share capital from RM270,000,000 to RM500,000,000, comprising 3,333,333,333 shares of RM0.15 each by the creation of 1,533,333,333 ordinary shares of RM0.15 each;

(ii) On 10 June 2013, the Company issued a Prospectus in conjunction with an IPO of up to 790,123,500 ordinary shares of RM0.15 each in the Company, comprising an offer for sale of up to 197,530,900 existing ordinary shares of RM0.15 each and a public issue of 592,592,600 new ordinary shares of RM0.15 each to retail and institutional investors at a retail price of RM1.25 per share;

(iii) In conjunction with the IPO, the Company implemented an Employees' Share Option Scheme ("ESOS") to recognise the contribution of the Eligible Directors and Eligible Employees of up to 9,550,000 ESOS new ordinary shares of RM0.15 each, to be issued and awarded upon the terms and conditions of the By-Laws of the ESOS.

The entire enlarged issued and paid up ordinary share capital of RM355,555,558 comprising 2,370,370,387 ordinary shares of RM0.15 each were listed and quoted on the Official List of the Main Market of Bursa Malaysia Securities Berhad on 10 July 2013.

The issued and paid-up share capital of the Company currently stands at RM355,555,558 comprising 2,370,370,387 ordinary shares of RM0.15 each. The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEES' SHARE OPTION SCHEME

In conjunction with the IPO, the Company had implemented an Employees' Share Option Scheme ("ESOS") which entails the issuance of up to ten percent (10%) of the issued and paid-up share capital of the Company at any one time pursuant to the exercise of options to be granted under the ESOS, to full-time eligible employees and eligible Directors of the Group ("ESOS Options"). The tenure of the ESOS shall be five (5) years with an option to extend for a further (5) years, subject to a maximum duration of ten (10) years. The ESOS is governed by the By-Laws which were approved by the shareholders on 12 October 2012.

On 1 July 2013, the Company granted 9,550,000 ESOS Options to its eligible employees at the exercise price of RM1.25 per option ("Initial Grant"). The vesting of the ESOS Options under the Initial Grant shall be subject to the terms and conditions of the By-Laws.

Details of the ESOS are set out in Note 24 to the financial statements.

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

Tan Sri Rafidah Aziz	
Tan Sri Dr. Anthony Francis Fernandes	
Datuk Kamarudin bin Meranun	
Dato' Seri Kalimullah bin Masheerul Hassan	
Lim Kian Onn	
Dato' Fam Lee Ee	
Kiyoshi Fushitani	
Tan Sri Asmat Bin Kamaludin	(Appointed on 13 May 2013)
Dato' Yusli Bin Mohamed Yusoff	(Appointed on 13 May 2013)
Asher Noor	(Appointed as director and ceased as alternate director on 30 December 2013)
Kiyotaka Tanaka (alternate Director to Kiyoshi Fushitani)	
Shan-E-Abbas Ashary	(Resigned on 30 December 2013)

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 Group and Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (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 27 to the financial statements.

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, particulars of interests of Directors who hold office at the end of the financial year in shares in the Company and its related corporations are as follows:

	Number of ordinary shares of RM1.00 each	Number of ordinary shares of RM0.15 each			
	1.1.2013	Subdivided on 13.5.2013	Acquired	Disposed	31.12.2013
The Company					
Direct interests					
Datuk Kamarudin bin Meranun	9,953,454	66,356,360	100,000	-	66,456,360
Tan Sri Dr. Anthony Francis Fernandes	5,283,586	35,223,907	-	-	35,223,907
Dato' Seri Kalimullah bin Masheerul Hassan	2,410,567	16,070,447	100,000	-	16,170,447
Lim Kian Onn	2,410,567	16,070,447	100,000	-	16,170,447
Tan Sri Rafidah Aziz	-	-	100,000	-	100,000
Dato' Fam Lee Ee	-	-	100,000	(100,000)	-
Tan Sri Asmat Bin Kamaludin	-	-	100,000	-	100,000
Dato' Yusli Bin Mohamed Yusoff	-	-	100,000	-	100,000

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company and its related corporations are as follows: (continued)

	Number of ordinary shares of RM1 each			Number of ordinary shares of RM0.15 each		
	At 1.1.2013	Converted from RCPS	At 10.5.2013	Sub-divided on 13.5.2013	Acquired/ (Disposed)	At 31.12.2013
The Company						
Indirect interests						
Datuk Kamarudin bin Meranun **	145,545,719	42,666,667	188,212,386	1,254,749,239	(111,733,223)	1,143,016,016
Tan Sri Dr Anthony Francis Fernandes**	145,545,719	42,666,667	188,212,386	1,254,749,239	(111,733,223)	1,143,016,016
Lim Kian Onn***	-	-	-	-	600,000	600,000
Tan Sri Rafidah Aziz#	-	-	-	-	100,000	100,000

	Number of redeemable convertible preference shares ("RCPS") of RM1 each		
	At 1.1.2013	Converted	At 31.12.2013
The Company			
Indirect interests			
Datuk Kamarudin bin Meranun*	42,666,667	(42,666,667)	-
Tan Sri Dr Anthony Francis Fernandes*	42,666,667	(42,666,667)	-

* Deemed interested by virtue of their shareholding interests in AirAsia Berhad pursuant to Section 6A of the Companies Act, 1965.

** Deemed interested by virtue of their shareholding interests in Aero Ventures Sdn Bhd and AirAsia Berhad pursuant to Section 6A of the Companies Act, 1965.

*** Pursuant to Section 134(12)(c) of the Companies Act, 1965, the interests of spouse and children of Lim Kian Onn in the shares of the Company shall also be treated as the interest of Lim Kian Onn.

\# Pursuant to Section 134(12)(c) of the Companies Act, 1965, the interest of spouse of Tan Sri Rafidah Aziz in the shares of the Company shall also be treated as the interest of Tan Sri Rafidah Aziz.

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements 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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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) except as disclosed in the financial statements, 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, other than as disclosed in Note 33 to the financial statements.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution dated 28 APR 2014

TAN SRI RAFIDAH AZIZ
DIRECTOR

DATO' YUSLI BIN MOHAMED YUSOFF
DIRECTOR

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INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Revenue	4	2,308,350	1,967,427	2,308,003	1,967,063
Operating expenses					
- Staff costs	5	(233,601)	(180,498)	(230,700)	(177,070)
- Depreciation of property, plant and equipment		(120,558)	(107,097)	(120,558)	(107,097)
- Aircraft fuel expenses		(1,101,216)	(925,294)	(1,101,216)	(925,294)
- Maintenance, overhaul, user charges and other related expenses		(451,369)	(381,545)	(451,369)	(379,842)
- Aircraft operating lease expenses		(186,663)	(152,408)	(186,663)	(152,408)
- Other operating expenses	6	(203,461)	(178,598)	(206,596)	(182,872)
Other income	7	20,401	6,981	20,401	6,121
Other gain	8	5,541	-	5,541	-
Share of results of an associate	16	(502)	-	-	-
Operating profit		36,922	48,968	36,843	48,601
Finance income	9	3,611	1,876	3,608	1,871
Finance costs	9	(76,422)	(56,438)	(76,422)	(56,438)
Foreign exchange (losses)/gains on borrowings	9	(176,171)	43,599	(176,171)	43,599
(Loss)/profit before taxation		(212,060)	38,005	(212,142)	37,633
Taxation					
- Current taxation	10	(997)	900	(727)	863
- Deferred taxation	10	124,790	(5,055)	124,790	(4,959)
		123,793	(4,155)	124,063	(4,096)
Net (loss)/profit for the financial year		(88,267)	33,850	(88,079)	33,537
Basic (loss)/earnings per share attributable to ordinary equity holders of the Company (sen)	31	(6.7)	12.7		
Diluted (loss)/earnings per share attributable to ordinary equity holders of the Company (sen)	31	(6.7)	12.7		

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STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net (loss)/profit for the financial year	(88,267)	33,850	(88,079)	33,537
Other comprehensive income/(loss), net of tax				
- Cash flow hedges	20,527	-	20,527	-
- Foreign currency translation differences	(12)	(1)	-	-
Total comprehensive (loss)/income for the financial year	(67,752)	33,849	(67,552)	33,537
Total comprehensive (loss)/income attributable to:				
- Equity holders of the Company	(67,752)	33,849		
- Non-controlling interests	-	-		
	(67,752)	33,849		

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BALANCE SHEETS AS AT 31 DECEMBER 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	2,275,213	1,325,822	2,275,213	1,325,822
Deferred tax assets	12	359,630	234,840	359,630	234,840
Deposits on aircraft purchases	13	638,283	418,395	638,283	418,395
Other deposits	14	196,201	126,058	196,201	126,058
Investment in an associate	16	19,516	-	20,018	-
Derivative financial instruments	17	60,388	-	60,388	-
		3,549,231	2,105,115	3,549,733	2,105,115
CURRENT ASSETS					
Derivative financial instruments	17	5,541	-	5,541	-
Inventories	18	993	806	993	806
Receivables and prepayments	19	165,356	130,786	165,319	130,414
Amounts due from related parties	20	16,387	15,738	16,325	15,705
Amount due from an associate	20	1,353	-	1,353	-
Deposits, cash and bank balances	21	262,976	173,951	262,777	172,975
Tax recoverable		523	1,711	274	1,612
		453,129	322,992	452,582	321,512
LESS: CURRENT LIABILITIES					
Trade and other payables	22	346,778	254,004	346,080	252,307
Amounts due to related parties	20	1,916	5,929	1,916	5,929
Amounts due to subsidiaries	20	-	-	1,887	1,651
Sales in advance		421,258	195,188	421,258	195,188
Borrowings	23	445,880	521,045	445,880	521,045
		1,215,832	976,166	1,217,021	976,120
NET CURRENT LIABILITIES		(762,703)	(653,174)	(764,439)	(654,608)
NON-CURRENT LIABILITY					
Borrowings	23	1,550,373	871,211	1,550,373	871,211
		1,236,155	580,730	1,234,921	579,296
CAPITAL AND RESERVES					
Share capital	24	355,556	266,667	355,556	266,667
Share premium		849,598	215,832	849,598	215,832
Hedge reserve		20,527	-	20,527	-
Capital reserve		522	-	522	-
Retained earnings	25	10,030	98,297	8,718	96,797
Currency translation reserve		(78)	(66)	-	-
SHAREHOLDERS' EQUITY		1,236,155	580,730	1,234,921	579,296

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Issued and fully paid ordinary shares of RM1.00 each		Issued and fully paid ordinary shares of RM0.15 each		Issued and fully paid RCPS* of RM1.00 each							
		Number value '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	Cash flow hedge reserve RM'000	Capital reserve RM'000	Currency translation reserve RM'000	Retained earnings RM'000	Total RM'000
Group													
At 1 January 2013		224,000	224,000	-	-	42,667	42,667	215,832	-	-	(66)	98,297	580,730
Net loss for the financial year		-	-	-	-	-	-	-	-	-	-	(88,267)	(88,267)
Other comprehensive income/(loss)		-	-	-	-	-	-	-	20,527	-	(12)	-	20,515
Total comprehensive Income/(loss)		-	-	-	-	-	-	-	20,527	-	(12)	(88,267)	(67,752)
Conversion of RCPS	24	42,667	42,667	-	-	(42,667)	(42,667)	-	-	-	-	-	-
Subdivision of shares	24	(266,667)	(266,667)	1,777,778	266,667	-	-	-	-	-	-	-	-
Issuance of ordinary shares	24	-	-	592,592	88,889	-	-	651,851	-	-	-	-	740,740
Share issuance expenses		-	-	-	-	-	-	(18,085)	-	-	-	-	(18,085)
Employee Share Option Scheme	24	-	-	-	-	-	-	-	-	522	-	-	522
At 31 December 2013		-	-	2,370,370	355,556	-	-	849,598	20,527	522	(78)	10,030	1,236,155

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	Issued and fully paid ordinary shares of RM1.00 each		Issued and fully paid RCPS* of RM1.00 each					
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	Currency translation reserve RM'000	Retained earnings RM'000	Total RM'000
Group								
At 1 January 2012	224,000	224,000	42,667	42,667	215,832	(65)	64,447	546,881
Net profit for the financial year	-	-	-	-	-	-	33,850	33,850
Other comprehensive loss	-	-	-	-	-	(1)	-	(1)
Total comprehensive (loss)/income	-	-	-	-	-	(1)	33,850	33,849
At 31 December 2012	224,000	224,000	42,667	42,667	215,832	(66)	98,297	580,730

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	Note	Issued and fully paid ordinary shares of RM1.00 each		Issued and fully paid ordinary shares of RM0.15 each		Issued and fully paid RCPS* of RM1.00 each			Non-distributable		Distributable	
		Number value '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	Cash flow hedge reserve RM'000	Capital Reserve RM'000	Retained earnings RM'000	Total RM'000
Company												
At 1 January 2013		224,000	224,000	-	-	42,667	42,667	215,832	-	-	96,797	579,296
Net loss for the financial year		-	-	-	-	-	-	-	-	-	(88,079)	(88,079)
Other comprehensive income/(loss)		-	-	-	-	-	-	-	20,527	-	-	20,527
Total comprehensive (loss)/income		-	-	-	-	-	-	-	20,527	-	(88,079)	(67,552)
Conversion of RCPS	24	42,667	42,667	-	-	(42,667)	(42,667)	-	-	-	-	-
Subdivision of shares	24	(266,667)	(266,667)	1,777,778	266,667	-	-	-	-	-	-	-
Issuance or ordinary shares	24	-	-	592,592	88,889	-	-	651,851	-	-	-	740,740
Share issuance expenses		-	-	-	-	-	-	(18,085)	-	-	-	(18,085)
Employee Share Option Scheme	24	-	-	-	-	-	-	-	-	522	-	522
At 31 December 2013		-	-	2,370,370	355,556	-	-	849,598	20,527	522	8,718	1,234,921

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	Issued and fully paid ordinary shares of RM1.00 each		Issued and fully paid RCPS* of RM1.00 each		Non-distributable	Distributable	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000
Company							
At 1 January 2012	224,000	224,000	42,667	42,667	215,832	63,260	545,759
Total comprehensive income	-	-	-	-	-	33,537	33,537
At 31 December 2012	224,000	224,000	42,667	42,667	215,832	96,797	579,296

* RCPS – Redeemable Convertible Preference Shares

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before taxation	(212,060)	38,005	(212,142)	37,633
Adjustments:				
Property, plant and equipment				
- Depreciation	120,558	107,097	120,558	107,097
- Gain on disposal	-	(1,148)	-	(1,148)
- Write off	-	23	-	-
Impairment of receivables	552	1,545	552	1,545
Interest expense	76,422	56,438	76,422	56,438
Interest income	(3,032)	(1,064)	(3,029)	(1,059)
Interest income on deposits for leased aircraft	(579)	(812)	(579)	(812)
Fair value gain on derivative financial instruments	(4,473)	-	(4,473)	-
Fair value of shareholders' benefits scheme	8,536	-	8,536	-
Share option expense	522	-	522	-
Share of results of an associate	502	-	-	-
Unrealised foreign exchange losses/(gains)	61,850	(38,812)	61,912	(38,812)
	48,798	161,272	48,279	160,882
Changes in working capital:				
Inventories	(187)	85	(187)	85
Receivables, prepayments and other deposits	(89,626)	(15,520)	(89,961)	(15,738)
Related parties	(5,343)	1,532	(5,719)	(1,602)
Trade and other payables	79,839	93,579	81,571	96,121
Sales in advance	226,070	(221,899)	226,070	(221,899)
Cash generated from operations	259,551	19,049	260,053	17,849
Interest paid	(73,633)	(56,170)	(73,633)	(56,170)
Interest received	3,122	957	3,119	952
Tax recovered	1,716	-	1,716	-
Tax paid	(1,267)	(1,032)	(1,001)	(690)
Net cash generated from/(used in) operating activities	189,489	(37,196)	190,254	(38,059)

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Property, plant and equipment					
- Additions		(1,069,949)	(37,289)	(1,069,949)	(37,289)
- Proceeds from disposal		-	26,996	-	26,996
Investment in associate		(20,018)	-	(20,018)	-
Deposits on aircraft purchase		(218,543)	(49,700)	(218,543)	(49,700)
Net cash used in investing activities		(1,308,510)	(59,993)	(1,308,510)	(59,993)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from allotment of shares		722,655	-	722,655	-
Proceeds from borrowings		1,097,310	355,313	1,097,310	355,313
Repayments of borrowings		(612,941)	(201,062)	(612,941)	(201,062)
Deposits pledged as securities		(50,887)	-	(50,887)	-
Net cash generated from financing activities		1,156,137	154,251	1,156,137	154,251
NET INCREASE FOR THE FINANCIAL YEAR		37,116	57,062	37,881	56,199
CURRENCY TRANSLATION DIFFERENCES		1,022	2,909	1,034	2,909
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		173,951	113,980	172,975	113,867
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	21	212,089	173,951	211,890	172,975

1 GENERAL INFORMATION

The principal activity of the Company is that of providing long haul air transportation services. The principal activities of the subsidiary companies are described in Note 15 to the financial statements.

There were no significant changes in the nature of these activities during the financial year.

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

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

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

Lot PT16, Jalan KLIA S7
Southern Support Zone
KLIA
64000 Sepang
Selangor Darul Ehsan

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 April 2014.

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

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

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Group's and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Whilst the Group's and Company's current liabilities exceeded their current assets by RM762,703,000 and RM764,439,000 respectively as at 31 December 2013, the Directors are of the view that no material uncertainty relating to these conditions exists that may cast significant doubt on the Group's or Company's ability to continue as a going concern. The Directors believe that the Group and Company are able to realise their assets and discharge their liabilities in the normal course of business and that the financial position will be improved through future operating profits and cash flows. In January 2014, the Group and Company had also secured a term loan amounting to USD72.5 million (approximately RM237.7 million) to finance the acquisition of an Airbus A330-300 aircraft which was delivered on 9 January 2014 and are currently in negotiations with lenders for credit facilities to finance their commitments for the acquisition of aircraft in 2014. The Directors are of the view that the Group and Company are able to secure these credit facilities to finance the delivery of the relevant aircraft according to the aircraft delivery schedule given that the Group and Company are currently finalising the terms and conditions of these credit facilities.

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

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and Company's financial year beginning on or after 1 January 2013 are as follows:

- MFRS 10 'Consolidated Financial Statements'
- MFRS 12 'Disclosures of Interests in Other Entities'
- MFRS 13 'Fair Value Measurement'
- The revised MFRS 127 'Separate Financial Statements'
- The revised MFRS 128 'Investments in Associates and Joint Ventures'
- Amendments to MFRS 101 'Presentation of Items of Other Comprehensive Income'
- Amendment to MFRS 119 'Employee benefits'
- Amendment to MFRS 7 'Financial Instruments: Disclosures'
- Amendments to MFRS 10, 11 & 12 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance'
- Annual improvements 2009 – 2011 Cycle

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group will apply the new standards, amendments to standards and interpretations in the following period:

(i) Effective for financial year beginning on or after 1 January 2014

- Amendment to MFRS 132 'Financial Instruments: Presentation' (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

- Amendments to MFRS 10, MFRS 12 and MFRS 127 (effective from 1 January 2014) introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.

(ii) Effective date yet to be determined by Malaysian Accounting Standards Board

- MFRS 9 'Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities' replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group has yet to assess MFRS 9's full impact. The Group will also consider the impact of the remaining phases of MFRS 9 when completed by the Board.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation

(i) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note 2(p) on borrowing costs).

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

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

The useful lives for this purpose are as follows:

Aircraft	
- engines	25 years
- airframe	6, 12 or 25 years
- service potential	6 or 10 years
Aircraft spares	10 years
Aircraft fixtures and fittings	Useful life of aircraft or remaining lease term of aircraft, whichever is shorter
Motor vehicles	5 years
Office equipment, furniture and fittings	5 years

Service potential of 6 years represents the period over which the expected cost of the first major aircraft engine overhaul is depreciated. Subsequent to the engine overhaul, the actual cost incurred is capitalised and depreciated over the subsequent 6 years.

Service potential of 10 years represents the period over which the expected cost of the first major airframe check is depreciated. Subsequent to the airframe check, the actual cost incurred is capitalised and depreciated over the subsequent 10 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

Residual values, where applicable, are reviewed annually against prevailing market values 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 2013, the estimated residual value for aircraft airframes and engines is 10% of their cost (2012: 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 check or the remaining life of the aircraft.

The costs 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.

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

At each balance sheet date, the Group and Company assess 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 non-financial assets.

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

(f) Investments in subsidiaries and associates

In the Company's separate financial statements, investments in subsidiaries 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)).

On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of non-financial assets

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

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

(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 (see Note 2(e)).

Leased aircraft

Where the Group and Company have a commitment to maintain aircraft held under operating leases, a 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 statements calculated by reference to the number of hours or cycles operated during the financial year.

(i) Leases

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leases (continued)

Finance leases

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

Finance leases are capitalised at the commencement dates of the respective leases at the lower of the fair value of the leased property and the present value of the minimum lease payments at the date of inception. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance charge is charged to the income statements 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 and Company, 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 statements on a straight-line basis over the lease period.

Assets leased out by the Group and Company under operating leases are included in property, plant and equipment in the balance sheets. 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 consumables used internally for repairs and maintenance and in-flight merchandise, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 2(v). 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 and Company document 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 and Company also document their 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 17 to the financial statements. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statements.

Amounts accumulated in equity are reclassified to the income statements 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 statements and presented separately after net operating profit.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) Cash and cash equivalents

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

(n) Provision

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.

(o) Share capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(ii) Share issue costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends to shareholders of the Company

Dividends 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Borrowings

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Current and deferred income taxes

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

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

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

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary differences shall not be recognised.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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 and Company.

(ii) Defined contribution plan

The Group's and Company's contributions to the Employees' Provident Fund are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and Company have 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.

(s) Revenue recognition

Revenue from scheduled passenger flights is 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 charter flights is recognised upon the rendering of transportation services.

Fuel surcharge, insurance surcharge, administrative fees, seat fees, change fees, convenience 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, net of discounts.

Management fees are recognised on an accrual basis.

Incentives and commission income are recognised on an accrual basis in accordance with the substance of the relevant agreements.

Interest income is recognised using the effective interest method.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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 financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

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

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 are separately disclosed after net operating profit.

(iii) Group companies

The results and financial position of all entities within the Group (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 statements as part of the gain or loss on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Contingent liabilities

The Group and Company do 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 and Company, 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.

The Group and Company recognise 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 and Company measure the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118 "Revenue".

(v) Financial assets

(i) Classification

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges (see Note 2(k)). Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Financial assets (continued)

(ii) Recognition and initial measurement

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

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

(iii) Subsequent measurement – gains and losses

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Financial assets (continued)

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

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

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) 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.

(w) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is 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.

(x) Trade and other 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.

(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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The Group and Company make 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 and Company'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 financial year are outlined 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 frames and engines based on factors such as business plan 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 of 5% in the residual values of aircraft airframes and engines as disclosed in Note 2(e), would increase the recorded depreciation for the financial year ended 31 December 2013 by RM3,794,000 (2012: RM2,425,000) and decrease the carrying amount of property, plant and equipment as at 31 December 2013 by RM6,604,000 (2012: RM4,521,000).

(ii) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of regulatory approvals for prospective routes, aircraft delivery, fares, load factors, fuel price, maintenance cost and currency movements.

4 REVENUE

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Scheduled flights	1,406,447	1,283,577	1,406,447	1,283,577
Refunds	(1,796)	(1,799)	(1,796)	(1,799)
	1,404,651	1,281,778	1,404,651	1,281,778
Charter flights	107,001	67,848	107,001	67,848
Fuel surcharge	253,839	148,226	253,839	148,226
Freight and cargo	90,018	79,267	90,018	79,267
Ancillary revenue	452,494	363,934	452,494	363,934
Management fees	347	364	-	-
Other revenue	-	26,010	-	26,010
	2,308,350	1,967,427	2,308,003	1,967,063

Ancillary revenue includes administrative and other fees, seat fees, change fees, convenience fees, excess baggage fees, inflight sales, and other items and services.

Other revenue in the previous financial year was in respect of passengers on scheduled flights that were subsequently re-accommodated to flights by other airlines.

5 STAFF COSTS

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Wages, salaries, bonuses and allowances	214,784	165,928	212,120	162,717
Defined contribution retirement plan	18,295	14,570	18,058	14,353
Share option expense (Note 24)	522	-	522	-
	233,601	180,498	230,700	177,070

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

	Group and Company 2013 RM'000	Group and Company 2012 RM'000
Non-executive Directors		
Fees	501	120

5 STAFF COSTS (CONTINUED)

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

	Non-executive	
	2013	2012
Range of remuneration		
Less than RM100,000	2	-
RM100,001 to RM150,000	1	1

The details of outstanding options over the ordinary shares of the Company granted under ESOS to the eligible employees and Directors are disclosed in Note 24 to the financial statements.

6 OTHER OPERATING EXPENSES

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

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Management fee	-	-	2,972	4,835
Rental of land and buildings	2,025	1,774	1,956	1,711
Auditors' remuneration				
- Current year statutory audit	340	327	324	268
- Fees for audit related services [1]	4,475	-	4,475	-
Rental of equipment	296	227	296	227
Net foreign exchange (gain)/loss on operations				
- Realised	(744)	7,844	(744)	7,844
- Unrealised	(15,816)	4,639	(15,754)	4,639
Sponsorship expenses	142	1,245	142	1,245
Advertising expenses	67,460	43,262	67,729	43,648
Credit card charges	25,808	18,331	25,808	18,331
In-flight meal expenses	21,389	17,025	21,389	16,466
Insurance expenses	13,204	12,947	13,204	12,942
Penalty costs on early termination of contract	-	560	-	560
Penalty costs on charter contract	-	1,286	-	1,286
Impairment of receivables	552	1,545	552	1,545
Property, plant and equipment written off	-	23	-	-

[1] Fees incurred in connection with the role as reporting accountant in relation to the Listing of the Company

7 OTHER INCOME

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of property, plant and equipment	-	1,148	-	1,148
Commission income from insurance	5,841	3,492	5,841	3,492
Others	14,560	2,341	14,560	1,481
	20,401	6,981	20,401	6,121

Other income ('others') includes incentives received/receivable by the Group and Company from certain airport authorities.

8 OTHER GAIN

Other gain represents the unrealised gain arising from fuel contracts held for trading.

9 FINANCE INCOME/(COSTS)

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Finance income:				
Interest income on deposits with licensed bank	3,032	1,064	3,029	1,059
Interest income on deposits for leased aircraft	579	812	579	812
	3,611	1,876	3,608	1,871
Finance costs:				
Interest expense on bank borrowings	(72,909)	(54,614)	(72,909)	(54,614)
Bank facilities and other charges	(3,513)	(1,824)	(3,513)	(1,824)
	(76,422)	(56,438)	(76,422)	(56,438)
Foreign exchange (losses)/gains:				
Unrealised foreign exchange (losses)/ gains on:				
- Borrowings	(119,629)	40,542	(119,629)	40,542
- Deposits and bank balances	1,034	2,909	1,034	2,909
	(118,595)	43,451	(118,595)	43,451
Fair value movement recycled from cash flow hedge reserve	40,929	-	40,929	-
Realised foreign exchange (losses)/gain	(98,505)	148	(98,505)	148
Net foreign exchange (losses)/gains	(176,171)	43,599	(176,171)	43,599

10 TAXATION

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Current taxation:				
- Malaysian taxation	727	(863)	727	(863)
- Foreign taxation	270	(37)	-	-
Deferred taxation	(124,790)	5,055	(124,790)	4,959
Total tax (credit)/expense	(123,793)	4,155	(124,063)	4,096
Current taxation:				
- Current financial year	997	319	727	356
- Over accrual in prior year	-	(1,219)	-	(1,219)
Total current tax	997	(900)	727	(863)
Deferred taxation (Note 12):				
- Origination and reversal of temporary differences	(124,790)	5,055	(124,790)	4,959
	(123,793)	4,155	(124,063)	4,096

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

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
(Loss)/profit before taxation	(212,060)	38,005	(212,142)	37,633
Tax calculated at Malaysian tax rate of 25% (2012: 25%)	(53,015)	9,501	(53,035)	9,408
Tax effects of:				
- Over accrual in prior year	-	(1,219)	-	(1,219)
- Tax incentives	(111,744)	-	(111,744)	-
- Expenses not deductible for tax purposes	30,302	5,492	30,052	5,526
- Income not subject to tax	-	(9,619)	-	(9,619)
- Changes in statutory tax rate	10,664	-	10,664	-
Taxation	(123,793)	4,155	(124,063)	4,096

10 TAXATION (CONTINUED)

The Ministry of Finance has granted approval to the Company under Section 127 of Income Tax Act, 1967 for income tax exemption in the form of an Investment Allowance ("IA") of 60% on qualifying expenditure incurred within a period of 5 years commencing 1 September 2009 to 31 August 2014, to be set off against 70% of the statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

11 PROPERTY, PLANT AND EQUIPMENT

Group and Company	At 1 January 2013 RM'000	Additions RM'000	Depreciation charge RM'000	At 31 December 2013 RM'000
Net book value				
Aircraft engines, airframe and service potential	1,252,274	1,017,198	(107,796)	2,161,676
Aircraft spares	71,141	20,093	(11,662)	79,572
Motor vehicles	825	1,614	(495)	1,944
Office equipment, furniture and fittings	1,582	242	(605)	1,219
Assets not yet in operation	-	30,802	-	30,802
	1,325,822	1,069,949	(120,558)	2,275,213

At 31 December 2013	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Net book value RM'000
Aircraft engines, airframe and service potential	2,567,336	(376,613)	(29,047)	2,161,676
Aircraft spares	133,574	(43,374)	(10,628)	79,572
Motor vehicles	4,407	(2,463)	-	1,944
Office equipment, furniture and fittings	5,430	(3,801)	(410)	1,219
Assets not yet in operation	30,802	-	-	30,802
	2,741,549	(426,251)	(40,085)	2,275,213

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1 January 2012 RM'000	Additions RM'000	Written-off RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2012 RM'000
Group						
Net book value						
Aircraft engines, airframe and service potential	1,345,880	1,462	-	-	(95,068)	1,252,274
Aircraft spares	72,020	35,470	-	(25,842)	(10,507)	71,141
Motor vehicles	1,379	-	-	-	(554)	825
Office equipment, furniture and fittings	2,222	357	(23)	(6)	(968)	1,582
	1,421,501	37,289	(23)	(25,848)	(107,097)	1,325,822

At 31 December 2012	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Net book value RM'000
Aircraft engines, airframe and service potential	1,550,138	(268,817)	(29,047)	1,252,274
Aircraft spares	113,481	(31,712)	(10,628)	71,141
Motor vehicles	2,793	(1,968)	-	825
Office equipment, furniture and fittings	5,188	(3,196)	(410)	1,582
	1,671,600	(305,693)	(40,085)	1,325,822

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	At 1 January 2012 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2012 RM'000
Net book value					
Aircraft engines, airframe and service potential	1,345,880	1,462	-	(95,068)	1,252,274
Aircraft spares	72,020	35,470	(25,842)	(10,507)	71,141
Motor vehicles	1,379	-	-	(554)	825
Office equipment, furniture and fittings	2,199	357	(6)	(968)	1,582
	1,421,478	37,289	(25,848)	(107,097)	1,325,822

At 31 December 2012	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Net book value RM'000
Aircraft engines, airframe and service potential	1,550,138	(268,817)	(29,047)	1,252,274
Aircraft spares	113,481	(31,712)	(10,628)	71,141
Motor vehicles	2,793	(1,968)	-	825
Office equipment, furniture and fittings	5,188	(3,196)	(410)	1,582
	1,671,600	(305,693)	(40,085)	1,325,822

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in property, plant and equipment of the Group and Company are aircraft pledged as security for borrowings (Note 23) with a net book value of RM2,066 million (2012: RM1,224 million).

The beneficial ownership and operational control of certain 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 the financiers during delivery, the legal title will be transferred to the Company only upon settlement of the respective facilities.

During the financial year, the Company re-assessed the estimated useful life of its engine service potential, which in resulted in a revision of the estimated useful life of engine service potential to 6 years. The reduction in depreciation charges for the financial year arising from the revision amounted to RM18,401,000.

12 DEFERRED TAXATION

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

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	359,630	234,840	359,630	234,840

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

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At beginning of financial year	234,840	239,895	234,840	239,799
(Charged)/credited to income statement (Note 10):				
- Property, plant and equipment	27,058	(7,868)	27,058	(7,868)
- Unrealised foreign exchange differences	(1,568)	785	(1,568)	785
- Tax losses	(691)	1,856	(691)	1,856
- Tax incentives	99,899	-	99,899	-
- Others	92	172	92	268
	124,790	(5,055)	124,790	(4,959)
At end of financial year	359,630	234,840	359,630	234,840

12 DEFERRED TAXATION (CONTINUED)

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Deferred tax assets (before offsetting)				
- Tax incentives	284,290	184,391	284,290	184,391
- Tax losses	16,598	17,289	16,598	17,289
- Property, plant and equipment	59,371	32,313	59,371	32,313
- Unrealised foreign exchange differences	396	579	396	579
- Others	360	268	360	268
	361,015	234,840	361,015	234,840
Offsetting	(1,385)	-	(1,385)	-
Deferred tax assets (after offsetting)	359,630	234,840	359,630	234,840
Deferred tax liability (before offsetting)				
- Unrealised foreign exchange differences	1,385	-	1,385	-
Offsetting	(1,385)	-	(1,385)	-
Deferred tax liability (after offsetting)	-	-	-	-

As disclosed in Note 3 to the financial statements in respect of critical accounting estimates and judgments, the deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of regulatory approvals for prospective routes, aircraft delivery, fares, load factors, fuel price, maintenance cost and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate.

13 DEPOSITS ON AIRCRAFT PURCHASES

The deposits on aircraft purchases are denominated in US Dollar and are in respect of pre-delivery payments on aircraft purchases. Pre-delivery payments constitute instalments made in respect of the price of the aircraft and are deducted from the final price on delivery.

The deposits as at 31 December 2013 are in respect of aircraft purchases which will be delivered between January 2014 to May 2025.

During the financial year ended 31 December 2013, the Group and Company capitalised borrowing costs amounting to RM10,460,000 (2012: RM10,551,000) on qualifying assets. Borrowing costs were capitalised at the rate of 5.48% (2012: 4.62%) per annum.

14 OTHER DEPOSITS

Other deposits include deposits paid for maintenance of aircraft and deposits paid to lessors for leased aircraft. These deposits are denominated in US Dollar.

15 INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	RM'000	RM'000
Unquoted investments, at cost	#	#

# Denotes RM250 (2012: RM250).

The details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective equity interest 2013 %	Group's effective equity interest 2012 %	Principal activities
AirAsia X Services Pty Ltd *	Australia	100	100	Provision of management logistical and marketing services
AirAsia X NZ Ltd *	New Zealand	100	100	Provision of management logistical and marketing services
AAX Capital Ltd	Malaysia	100	100	Dormant
AAX Leasing 1 Limited	Malaysia	100	100	Engine leasing

* Not audited by PricewaterhouseCoopers, Malaysia

16 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Unquoted investments, at cost	20,018	-	20,018	-
Group's share of post-acquisition losses	(502)	-	-	-
	19,516	-	20,018	-

16 INVESTMENT IN AN ASSOCIATE (CONTINUED)

The details of the associate is as follows:

Name	Principal place of business/ country of incorporation	Group's effective equity interest 2013 %	2012 %	Principal activities
Thai AirAsia X Co Ltd ("TAAX")	Thailand	49%	-	Commercial air transport services

On 18 September 2013, the Company entered into a Shareholders' Agreement with two parties for the purpose of establishing a co-operation to set up a long-haul low cost airline in Thailand which will operate through a Thailand incorporated entity, Thai AAX Co., Ltd. The Company subscribed to 39,200,000 ordinary shares, representing 49% of the paid-up share capital of TAAX for a consideration of THB 196,000,000 (equivalent to RM20,018,000).

TAAX is a private company for which there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's investment in TAAX.

Summarised financial information for associate

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

Summarised balance sheet

	TAAX 2013 RM'000	2012 RM'000
Current		
Cash and cash equivalents	31,831	-
Other current assets	7,741	-
Total current assets	39,572	-
Non-current		
Assets	1,542	-
Financial liabilities	(15)	-
Other liabilities	(1,270)	-
Total current liabilities	(1,285)	-
Net assets	39,829	-

16 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Summarised financial information for the associate (continued)

Summarised statement of comprehensive income

	TAAX for period ended 31 December	
	2013 RM'000	2012 RM'000
Maintenance, overhaul, user charges and other related expenses	(746)	-
Other operating expenses	(333)	-
Interest income	55	-
Loss before and after tax	(1,024)	-
Other comprehensive income	-	-
Total comprehensive loss	(1,024)	-
Dividend received from associate	-	-

Reconciliation of summarised financial information

	TAAX	
	2013 RM'000	2012 RM'000
Operating net assets at 1 January	-	-
Investment during the financial year	40,853	-
Loss for the financial year	(1,024)	-
Closing net assets at 31 December	39,829	-
Interest in associate (49%)	19,516	-
Carrying value at 31 December	19,516	-

17 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company			
	2013		2012	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Non-current				
Forward foreign exchange contracts – cash flow hedges	60,388	-	-	-
Current				
Commodity derivatives – held for trading	5,541	-	-	-

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

(i) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2013 were RM741.1million (2012: Nil).

The Group entered into 3 cross currency interest rate swap contracts ("CCIRS") to hedge against fluctuation in the foreign exchange currency and interest rates on its 3 newly delivered aircraft during the financial year.

Under the CCIRS facilities, the Company converted the aircraft loans whereby:

a. The USD principal repayments throughout the tenure of 10 and 12 years will be paid in RM at an exchange rate of USD1 to RM3.0260, RM3.0895 and RM3.1875 respectively; and

b. The USD interests of 3-month London Interbank Offered Rate ("LIBOR") plus a margin ranging between 0.80% and 3.75% will be paid at a RM fixed rate of between 3.83% and 7.03% per annum for the entire tenure of the 3 loans.

Gains and losses recognised in the cash flow hedge reserve in equity will be continuously released to the income statement within foreign exchange gains/(losses) until the full repayment of the aircraft loans (Note 23 to the financial statements).

(ii) Fuel contracts

The outstanding number of barrels of Singapore Jet Kerosene derivative contracts at 31 December 2013 was 187,778 barrels (2012: Nil). As at 31 December 2013, the Group entered into Singapore Jet Kerosene fixed swap contracts with a related party during the financial year, where the contracts are classified as derivatives held for trading.

18 INVENTORIES

	Group and Company 2013 RM'000	2012 RM'000
Beverages, consumables and in-flight merchandise	993	806

19 RECEIVABLES AND PREPAYMENTS

	Group 2013 RM'000	2012 RM'000	Company 2013 RM'000	2012 RM'000
Trade receivables	43,675	31,091	43,675	30,741
Other receivables	46,245	33,935	46,210	33,913
Prepayments	43,277	24,255	43,275	24,255
Deposits	33,600	42,394	33,600	42,394
	166,797	131,675	166,760	131,303
Less: Allowance for impairment of receivables	(1,441)	(889)	(1,441)	(889)
	165,356	130,786	165,319	130,414

The normal credit terms of the Group and Company range from 15 to 30 days (2012: 15 to 30 days).

(a) Trade receivables

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

Trade receivables that are neither past due nor impaired for the Group and Company of RM24,302,000 (2012: RM8,477,000 and RM8,127,000) respectively, are substantially from companies with good collection track records.

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

As of 31 December 2013, trade receivables of RM19,177,000 (2012: RM22,418,000) of the Group and Company, were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default.

19 RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade receivables

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

The ageing analysis of these trade receivables that are past due but not impaired is as follows:

	Group and Company	
	2013	2012
	RM'000	RM'000
Less than 30 days	2,249	3,184
Between 31 and 60 days	2,540	5,827
Between 61 and 90 days	53	10,717
Between 91 and 120 days	35	207
Between 121 and 180 days	-	2,241
More than 180 days	14,300	242
	19,177	22,418

Trade receivables that are past due but not impaired includes an amount due from a customer of RM13,545,000 (2012: RM14,441,000). The Directors of the Company have assessed the recoverability of this amount and are of the view that the balance of RM13,545,000 is recoverable within 12 months from the balance sheet date.

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

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

	Group and Company	
	2013	2012
	RM'000	RM'000
More than 180 days	196	196
Less: Allowance for impairment of receivables	(196)	(196)
	-	-

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

19 RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade receivables (continued)

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

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January	196	184	196	184
Impairment	-	12	-	12
At 31 December	196	196	196	196

(b) Other receivables

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

Other receivables that are neither past due nor impaired of RM31,819,000 and RM31,784,000 (2012: RM25,454,000 and RM25,432,000) for the Group and Company respectively, are substantially with companies with good collection track records.

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

As at 31 December 2013, other receivables for the Group and Company of RM13,181,000 (2012: RM7,788,000) were past due. These debts relate to a number of external parties where there is no expectation of default. The ageing analysis of these other receivables that are past due but not impaired is as follows:

	Group and Company	
	2013 RM'000	2012 RM'000
Less than 30 days	2,126	962
Between 31 and 60 days	885	1,324
Between 61 and 90 days	1,379	1,410
Between 91 and 120 days	1,634	1,491
Between 121 and 180 days	2,796	1,475
More than 180 days	4,361	1,126
	13,181	7,788

19 RECEIVABLES AND PREPAYMENTS (CONTINUED)

(b) Other receivables (continued)

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

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

	Group and Company 2013 RM'000	Group and Company 2012 RM'000
More than 180 days	1,245	693
Less: Allowance for impairment of receivables	(1,245)	(693)
	-	-

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

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

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
At 1 January	693	237	693	237
Impairment (Note 6)	552	456	552	456
At 31 December	1,245	693	1,245	693

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

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Ringgit Malaysia	22,530	17,166	22,530	17,166
US Dollar	74,268	75,333	74,268	75,333
Australian Dollar	14,859	9,008	14,824	8,636
Euro	85	666	85	666
Indian Rupee	1,414	1,547	1,414	1,547
New Zealand Dollar	62	94	62	94
Others	8,861	2,717	8,861	2,717
	122,079	106,531	122,044	106,159

19 RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

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

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

Other receivables include refunds of value-added tax receivable from the authorities in various countries in which the Group operates.

Prepayments include advances for purchases of fuel and lease of aircraft.

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

20 AMOUNTS DUE FROM/(TO) RELATED PARTIES, AN ASSOCIATE AND SUBSIDIARIES

The amounts due from/(to) related parties are in respect of trading transactions. The normal credit terms of the Group and Company range from 15 to 60 days (2012: 15 to 30 days).

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Amounts due from related parties	16,387	15,738	16,325	15,705
Amount due from an associate	1,353	-	1,353	-
	17,740	15,738	17,678	15,705
Amounts due to related parties	(1,916)	(5,929)	(1,916)	(5,929)
Amounts due to subsidiaries	-	-	(1,887)	(1,651)
	(1,916)	(5,929)	(3,803)	(7,580)
The currency profile of amounts due from related parties and associate is as follows:				
Ringgit Malaysia	30,718	22,359	30,718	22,359
Australian Dollar	(14,892)	(6,646)	(14,954)	(6,679)
US Dollar	1,529	25	1,529	25
Others	385	-	385	-
	17,740	15,738	17,678	15,705

Amounts due from related parties that are neither past due nor impaired amounted to RM17,709,000 and RM17,678,000 (2012: RM11,173,000 and RM11,140,000) for the Group and Company respectively.

20 AMOUNTS DUE FROM/(TO) RELATED PARTIES, AN ASSOCIATE AND SUBSIDIARIES (CONTINUED)

The ageing analysis of amounts due from related parties that are past due but not impaired is as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Less than 30 days	31	3,712	-	3,712
Between 61 and 90 days	-	95	-	95
Between 91 and 120 days	-	52	-	52
Between 121 and 180 days	-	706	-	706
	31	4,565	-	4,565

The maximum exposure to credit risk as at the balance sheet date is the carrying value of the amounts due from related parties mentioned above. The Group and Company do not hold any collateral as security.

The Group and Company have not made any impairment on these balances as management is of the view that these amounts are recoverable as there is no history of default.

The carrying amounts of the Group's and Company's amounts due from related parties approximate their fair values.

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

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	82	4,667	82	4,667
Australian Dollar	14	-	1,348	999
US Dollar	1,820	1,262	1,820	1,262
New Zealand Dollar	-	-	553	652
	1,916	5,929	3,803	7,580

21 DEPOSITS, CASH AND BANK BALANCES

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

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	212,089	113,553	211,890	112,577
Deposits with licensed banks	50,887	60,398	50,887	60,398
	262,976	173,951	262,777	172,975
Deposits pledged as securities	(50,887)	-	(50,887)	-
Cash and cash equivalents	212,089	173,951	211,890	172,975

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

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	107,646	51,099	107,646	51,099
US Dollar	73,403	43,247	73,403	43,247
Australian Dollar	66,996	62,756	66,803	62,128
Taiwan Dollar	691	1,294	691	1,294
Pound Sterling	775	722	775	722
Chinese Renminbi	222	355	222	355
Japanese Yen	8,615	8,049	8,615	8,049
Korean Won	1,172	2,675	1,172	2,675
New Zealand Dollar	246	1,071	240	723
Euro	686	662	686	662
Others	2,524	2,021	2,524	2,021
	262,976	173,951	262,777	172,975

The Group and Company's weighted average effective interest rate of deposits at the balance sheet date is 2.75% (2012: 4.6%) per annum.

22 TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Trade payables	203,297	170,164	203,297	169,946
Other payables and accruals	143,481	83,840	142,783	82,361
	346,778	254,004	346,080	252,307

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

The credit term of trade payables granted to the Group and Company is 30 days (2012: 30 days).

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

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	148,751	98,513	148,751	98,513
US Dollar	139,924	68,496	139,924	68,496
Australian Dollar	22,930	47,090	22,232	45,676
Euro	7,650	7,335	7,650	7,335
Taiwan Dollar	2,461	4,982	2,461	4,982
Pound Sterling	537	735	537	735
Japanese Yen	6,347	14,719	6,347	14,719
Korean Won	2,242	4,875	2,242	4,875
Chinese Renminbi	10,889	4,624	10,889	4,624
New Zealand Dollar	51	286	51	3
Others	4,996	2,349	4,996	2,349
	346,778	254,004	346,080	252,307

23 BORROWINGS

	Weighted average rate of finance (per annum) 2013 %	2012 %	Group and Company 2013 RM'000	2012 RM'000
Current:				
Revolving credit (unsecured)	3.56	5.23	261,185	351,705
Term loans (secured)	4.68	4.45	184,674	100,027
Time loan (secured)	-	4.77	-	48,000
Commodity Murabahah Term Financing (unsecured)	-	6.75	-	21,313
Hire purchase (unsecured)	2.80	-	21	-
			445,880	521,045
Non-current:				
Revolving credit (unsecured)			179,686	131,875
Term loans (secured)			1,370,626	739,336
Hire purchase (unsecured)			61	-
			1,550,373	871,211
Total borrowings			1,996,253	1,392,256

Total borrowings as at 31 December 2013 consist of the following banking facilities:

	Group and Company 2013 RM'000	2012 RM'000
Fixed rate borrowings	1,534,835	1,087,359
Floating rate borrowings	461,418	304,897
	1,996,253	1,392,256

The Group's and Company's borrowings are repayable as follows:

Not later than 1 year	445,880	521,045
Later than 1 year and not later than 5 years	899,680	531,982
Later than 5 years	650,693	339,229
	1,996,253	1,392,256

The currency profile of borrowings is as follows:

Ringgit Malaysia	40,082	309,309
US Dollar	1,956,171	1,082,947
	1,996,253	1,392,256

23 BORROWINGS (CONTINUED)

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

	Group and Company			
	Carrying amount		Fair value	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Term loans	1,358,298	839,363	1,320,583	731,042
Hire purchase	66	-	70	-
	1,358,364	839,363	1,320,653	731,042

The fair values of borrowings classified as current liabilities, equal their carrying amounts, as the impact of discounting is not significant. The fair values of the non-current borrowings are based on cash flows discounted using borrowing rates that are reflective of the Group and Company's credit risk at the balance sheet date, at 2.80% to 4.89% (2012: 4.45%) per annum. The fair values of non-current borrowings are within level 3 of the fair value hierarchy.

Revolving credit facilities

The revolving credit facility of RM400,871,000 as at 31 December 2013 (2012: RM243,584,000) is to finance pre-delivery payments ("PDPs") in respect of the Group's and Company's firm order of 20 Airbus A330-300 aircraft, with an option to acquire an additional 10 Airbus A330-300 aircraft. The facility becomes repayable upon delivery of the relevant aircraft and carries interest ranging from 3.2% to 3.25% (2012: 3%) per annum above the bank's USD cost of funds.

The revolving credit facility of RM40,000,000 as at 31 December 2013 (2012: RM239,996,000) is to finance the Group's and Company's corporate working capital requirements. The tenure of revolving credit facility of RM40,000 (2012: RM40,000,000) is up to 5 years. This facility carries an interest at cost of funds plus 3% (2012: 3%) per annum. Revolving credit facilities of RM100,000,000 and RM99,996,000 at the end of the previous financial year matured in June 2013 and October 2013 respectively. These facilities carried interest at cots of funds plus 3.25% and cost of funds plus 1.5% per annum respectively.

Term loans

The term loans are for the purchase of new Airbus A330-300 aircraft. The repayment of the term loans is on a quarterly basis over 10 to 12 years, with equal principal instalments, at fixed interest rates of between 2.82% and 7.03% (2012: 2.82% and 5.45%) per annum. The term loans are secured by the following:

(a) Assignment of rights under contract with Airbus over each aircraft;

(b) Assignment of insurance of each aircraft; and

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

23 BORROWINGS (CONTINUED)

Time loan

The time loan was utilised to finance the Group's and Company's security deposits for aircraft operating leases and general corporate working capital requirements. This facility matured on 29 September 2013 and carried an interest rate at cost of funds plus 1.50% (2012: 1.50%) per annum.

Commodity Murabahah Term Financing

This was to re-finance the outstanding balance of up to USD18.75 million (or approximately up to RM60 million) on an existing USD25 million (or approximately RM80 million) syndicated facility from two lenders (syndicated loan). This facility matured on 19 September 2013 and carried a profit rate at cost of funds plus 3.25% per annum.

24 SHARE CAPITAL

	Group and Company	
	2013	2012
	RM'000	RM'000
Authorised:		
Ordinary shares of RM1 each:		
At beginning of financial year	270,000	270,000
Sub-division of shares	(270,000)	-
At end of financial year	-	270,000
Ordinary shares of RM0.15 each:		
At beginning of financial year	-	-
Sub-division of shares	270,000	-
Increased during the financial year	230,000	-
At end of financial year	500,000	-
Redeemable Convertible Preference Shares of RM1 each ("RCPS"):		
At beginning of financial year	50,000	50,000
Cancellation of RCPS	(50,000)	-
At end of financial year	-	50,000
Total authorised	500,000	320,000

24 SHARE CAPITAL (CONTINUED)

	Group and Company	
	2013	2012
	RM'000	RM'000
Issued and fully paid up:		
Ordinary shares of RM1 each:		
At beginning of financial year	224,000	224,000
Conversion of RCPS	42,667	-
Sub-division of shares	(266,667)	-
At end of financial year	-	224,000
Ordinary shares of RM0.15 each:		
At beginning of financial year	-	-
Sub-division of shares	266,667	-
Issuance of shares during the financial year	88,889	-
At end of financial year	355,556	-
Redeemable Convertible Preference Shares of RM1 each ("RCPS"):		
At beginning of financial year	42,667	42,667
Conversion of RCPS	(42,667)	-
At end of financial year	-	42,667
Total issued and fully paid up	355,556	266,667

The terms of the RCPS are as follows:

(a) The RCPS are convertible in whole at the holder's option at any time into ordinary shares of RM1 each in the capital of the Company in the proportion of one ordinary share for every one RCPS held. Notwithstanding this, the RCPS holder shall convert all of its RCPS into ordinary shares of RM1 each in the capital of the Company upon receipt of written notice from the Company as part of the Company's bona fide scheme for the listing of the Company's shares on any recognised stock exchange.

(b) The RCPS has the same entitlement to dividend and all other forms of distributions out of income of the Company at the same rate as that of ordinary shares.

(c) The RCPS can be redeemed in part or in whole at the Company's option at any time, but only with prior written approval of the holder and redemption can only be effected at par value.

24 SHARE CAPITAL (CONTINUED)

On 10 May 2013, all the outstanding 42,666,667 Redeemable Convertible Preference Shares ("RCPS") of RM1 each in the Company was converted on a one-to-one basis, into 42,666,667 new ordinary shares of RM1 each in the Company, without consideration. On 13 May 2013, the Company cancelled its authorised share capital for RCPS of RM1 each, amounting to RM50,000,000.

During the financial year, the Company implemented the following transactions as part of an initial public offering ("IPO") exercise:

(iv) On 13 May 2013, the Company subdivided all of its existing 266,666,668 ordinary shares of RM1 each into 1,777,777,787 ordinary shares of RM0.15 each, by way of every three (3) ordinary shares of RM1 each into twenty (20) ordinary shares of RM0.15 each in the Company. On that same date, the Company increased its authorised share capital from RM270,000,000 to RM500,000,000, comprising 3,333,333,333 shares of RM0.15 each by the creation of 1,533,333,333 ordinary shares of RM0.15 each;

(v) On 10 June 2013, the Company issued a Prospectus in conjunction with an IPO of up to 790,123,500 ordinary shares of RM0.15 each in the Company, comprising an offer for sale of up to 197,530,900 existing ordinary shares of RM0.15 each and a public issue of 592,592,600 new ordinary shares of RM0.15 each to retail and institutional investors at a retail price of RM1.25 per share;

(vi) In conjunction with the IPO, the Company implemented an Employee Share Option Scheme ("ESOS") to recognise the contribution of the Eligible Directors and Eligible Employees of up to 9,550,000 ESOS new ordinary shares of RM0.15 each, to be issued and awarded upon the terms and conditions of the By-Laws of the ESOS.

The entire enlarged issued and paid up ordinary share capital of RM355,555,558 comprising 2,370,370,387 ordinary shares of RM0.15 each were listed and quoted on the Official List of the Main Market of Bursa Malaysia Securities Berhad on 10 July 2013.

The issued and paid-up share capital of the Company currently stands at RM355,555,558 comprising 2,370,370,387 ordinary shares of RM0.15 each. The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

In conjunction with the IPO, the Company had implemented an ESOS which entails the issuance of up to ten percent (10%) of the issued and paid-up share capital of the Company at any one time pursuant to the exercise of options to be granted under the ESOS, to full-time eligible employees and eligible Directors of the Group ("ESOS Options"). The tenure of the ESOS shall be five (5) years with an option to extend for a further five (5) years, subject to a maximum duration of ten (10) years. The ESOS is governed by the By-Laws which were approved by the shareholders on 12 October 2012.

On 1 July 2013, the Company granted 9,550,000 ESOS Options to eligible employees of the Company at the exercise price of RM1.25 per option ("Initial Grant"). The vesting of the ESOS Options under the Initial Grant shall be subject to the terms and conditions of the By-Laws.

24 SHARE CAPITAL (CONTINUED)

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONTINUED)

The main features of the ESOS are as follows:

(a) The maximum number of ordinary shares, which may be allotted pursuant to the exercise of options under the Scheme, shall not exceed ten per cent (10.0%) of the issued and paid-up share capital of the Company at any point in time during the duration of the Scheme.

(b) The ESOS Committee has been appointed and duly authorised by the Board (and governed by the By-Laws) may, at its absolute discretion, offer such number of ESOS Options to the Eligible Directors and Eligible Employees during the subsistence of the ESOS, provided that such number of new Shares issued under the ESOS Options granted shall not exceed the maximum number permitted under the Listing Requirements, the By-Laws and any laws, regulations and guidelines issued by other relevant authorities.

(c) An Eligible Director or Eligible Employee who accepts an offer of ESOS Option must return, on or before the expiry date, the duly completed prescribed acceptance form accompanied by the payment of the sum of RM1.00 as a consideration for acceptance of that offer. If that offer is not accepted in such manner, the offer shall, upon the expiry date, automatically lapse and be null and void.

(d) The subscription price, in respect of options granted prior to the date of listing in Bursa Malaysia, shall be RM1.25 per share.

(e) The options granted are exercisable one year beginning from the date of grant.

The shares to be allotted and issued upon any valid exercise of options will, upon such allotment and issuance, rank pari passu in all respects with the existing and issued shares except that such shares so issued will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to shareholders prior to the date of allotment of such shares. The options shall not carry any right to vote at a general meeting of the Company.

The Company granted 9,550,000 options at an exercise price of RM1.25 per share under the ESOS scheme on 1 July 2013, which will expire in 5 years.

At 31 December 2013, options to subscribe for 9,550,000 (2012: Nil) ordinary shares of RM0.15 each at the exercise price of RM1.25 per share remain unexercised. These options granted do not confer any right to participate in any share issue of any other company.

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

Grant date	Expiry date	Exercise price	At 1.1.2013	Granted	Exercised	At 31.12.2013
		RM/share	'000	'000	'000	'000
1 July 2013	11 October 2017	1.25	-	9,550	-	9,550

There is no option vested or exercised as at the balance sheet date.

25 RETAINED EARNINGS

As at 31 December 2013, the Company does not have any Section 108 tax credits and has therefore automatically moved to the single-tier tax system, which came into effect from the year of assessment 2008, under which companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

26 COMMITMENTS

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

	Group and Company	
	2013	2012
	RM'000	RM'000
Aircraft purchase – approved and contracted for:		
- Not later than 1 year	3,798,706	2,123,231
- Later than 1 year and not later than 3 years	12,155,860	7,077,438
- Later than 3 years and not later than 5 years	11,396,119	3,538,718
- Later than 5 years	12,168,353	8,504,563
	39,519,038	21,243,950

Included in the amount of capital commitments above as at 31 December 2013 is the purchase of 40 Airbus A330 aircraft and 10 Airbus A350 aircraft (2012: 18 Airbus A330 aircraft and 10 Airbus A350 aircraft) over the next 12 years, at a list price of approximately USD12 billion (RM39.5 billion) (2012: USD6.9 billion (RM21.2 billion)), less a negotiated discount.

(b) Non-cancellable operating leases

The future minimum lease payments under non-cancellable operating leases in respect of aircraft are as follows:

	Group and Company	
	2013	2012
	RM'000	RM'000
Not later than 1 year	325,015	193,642
Later than 1 year and not later than 3 years	578,008	551,910
Later than 3 year and not later than 5 years	541,560	476,365
Later than 5 years	1,139,078	1,242,194
	2,583,661	2,464,111

27 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Name of Companies	Relationship
AirAsia X Services Pty Ltd	Subsidiary
AirAsia X NZ Ltd	Subsidiary
Thai AirAsia X Co Ltd ("TAAX")	Associate
AirAsia Berhad ("AAB")	Shareholder of the Company for which there is no control, significant influence or joint venture, and common Directors and shareholders)
Caterhamjet Global Ltd ("CJG")	Common Directors and shareholders
Associates of AirAsia Berhad	
- Thai AirAsia Co. Ltd ("TAA")	Common Directors and shareholders
- PT Indonesia AirAsia ("IAA")	Common Directors and shareholders
- AirAsia Japan Co. Ltd ("JAA") *	Common Directors and shareholders
- AirAsia Inc ("PAA")	Common Directors and shareholders
Joint ventures of AirAsia Berhad	
- Asian Aviation Centre of Excellence Sdn Bhd	Common Directors and shareholders
- AAE Travel Pte Ltd ("AAE")	Common Directors and shareholders
Tune Insurance Malaysia Berhad	Common Directors and shareholders
Tune Box Sdn Bhd	Common Directors and shareholders
Asian Contact Centres Sdn Bhd	Common Director and shareholders

* JAA ceased as a related party of the Company/Group as at 28 June 2013.

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

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(a) Transactions with related parties				
AirAsia X NZ Ltd				
- Management fees paid/payable	-	-	-	2,213
AirAsia X Services Pty Ltd				
- Management fees paid/payable	-	-	2,972	2,622
AirAsia Berhad				
- Operational services charged by AAB	6,998	5,461	6,998	5,461
- Brand license fee charged by AAB	8,530	7,749	8,530	7,749
- Provision of carried passenger services which were procured by AAB	(8,827)	(8,827)	(8,827)	(8,827)
PT Indonesia AirAsia				
- Operational services charged to IAA	(347)	(364)	-	-
Thai AirAsia Co. Ltd				
- Operational services charged to TAA	(423)	(132)	(423)	(132)
AirAsia Japan Co. Ltd				
- Operational services charged to JAA	(590)	(316)	(590)	(316)
Asian Aviation Centre of Excellence Sdn Bhd				
- Net expense on training services	6,680	2,778	6,680	2,778
AAE Travel Pte Ltd				
- Marketing services charged by AAE	101	-	101	-
Tune Box Sdn Bhd				
- In-flight entertainment system and software expense	1,653	2,336	1,653	2,336
Asian Contact Centres Sdn Bhd				
- Telecommunication and operational expenses	9,167	11,189	9,167	11,189

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

		Group		Company	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
(a)	Transactions with related parties (continued)				
	Tune Insurance Malaysia Berhad ("TIMB")				
	- commission received/receivable on travel insurance for passengers	(1,833)	(623)	(1,833)	(623)
	- premium collected on behalf of TIMB on travel insurance for passengers	7,333	2,491	7,333	2,491
	Caterhamjet Global Ltd				
	- Charter air travel services charged by CJG	5,083	-	5,083	-
	Year end balances with related parties				
(b)	Receivables				
	AAE Travel Pte Ltd	-	39	-	39
	Thai AirAsia Co. Ltd	-	14	-	14
	PT Indonesia AirAsia	-	44	-	11
	AirAsia Japan Co. Ltd	-	157	-	157
	AirAsia Inc	-	10	-	10
	Thai AirAsia X Co. Ltd	1,353	-	1,353	-
	AirAsia Berhad	16,161	15,474	16,161	15,474
	Others	226	-	164	-
		17,740	15,738	17,678	15,705
(c)	Payables				
	Asian Aviation Centre of Excellence Sdn Bhd	1,746	1,317	1,746	1,317
	Asian Contact Centres Sdn Bhd	-	2,557	-	2,557
	PT Indonesia AirAsia	14	-	14	-
	AirAsia Inc	4	-	4	-
	Tune Box Sdn Bhd	-	186	-	186
	Tune Insurance Malaysia Berhad	-	1,869	-	1,869
	Thai AirAsia Co. Ltd	152	-	152	-
	AirAsia X Services Pty Ltd	-	-	1,334	999
	AirAsia X NZ Ltd	-	-	553	652
		1,916	5,929	3,803	7,580

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel comprises head or senior management officers of key operating divisions within the Group and Company. The key management compensation is disclosed below.

	Group and Company	
	2013	2012
	RM'000	RM'000
Key management compensation:		
- basic salaries, bonuses and allowances	7,956	4,810
- defined contribution plan	886	545
	8,842	5,355

28 FINANCIAL RISK MANAGEMENT POLICIES

The Group's and Company's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's and Company's businesses whilst managing their market risk (including fuel price risk, interest rate risk and foreign currency exchange risk), credit risk and liquidity and cash flow risk. The Group and Company operate within defined guidelines that are approved and reviewed periodically by the Board of Directors to minimise the effects of such volatility on their financial performance.

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

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

28 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

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

(a) Market risk

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

(i) Fuel price risk

The Group and Company are exposed to jet fuel price risk arising from the fluctuations in the prices of jet fuel. The Group and Company rely on a related party for certain treasury activities, including hedging of fuel price, which is contracted and managed by the related party. Any gain or loss arising from fuel hedging is recognised when the risk transfers to the Group and Company upon consumption of the fuel, within "Aircraft fuel expenses" in Operating Expenses.

During the financial year ended 31 December 2013, the Group and Company entered into Singapore Jet Kerosene fixed swap. There was 187,778 barrels (2012: Nil) outstanding of Singapore Jet Kerosene contract as at 31 December 2013.

As at 31 December 2013, if USD denominated barrel had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit and equity for the year end equity are tabulated below:

	2013		2012	
	+USD5	-USD5	+USD5	-USD5
	RM'000	RM'000	RM'000	RM'000
Impact on post tax profits	3,084	(3,084)	-	-
Impact on other comprehensive income	-	-	-	-

28 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

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

(a) Market risk (continued)

(ii) Interest rate risk

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

In view of the substantial borrowings taken to finance the acquisition of aircraft, the Group's and Company's income and operating cash flows are also influenced by changes in market interest rates. Interest rate exposure arises from the Group's and Company's floating rate borrowings and deposits. Surplus funds are placed with reputable financial institutions at the most favourable interest rate.

The Group manages its cash flow interest rate risk by entering into a cross currency interest rate swap contracts that effectively converts its existing long-term floating rate debt facilities into fixed rate debts. This hedging strategy ensures that the Group is paying a fixed interest expense on its borrowings and that the performance of the Group is not significantly impacted by the fluctuation in interest rates.

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

At 31 December 2013, if interest rate on USD denominated borrowings had been 60 basis points, the impact on the post-tax profit for the financial year would have been RM4.39 million (2012: RM4.36 million) higher/lower with all other variables held constant.

28 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

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

(a) Market risk (continued)

(iii) Foreign currency risk

Apart from Ringgit Malaysia ("RM"), the Group and Company transact business in various foreign currencies including United States Dollar ("USD"), Australian Dollar ("AUD"), EURO, Indian Rupee ("INR"), Chinese Renminbi ("RMB") and Japanese Yen ("JPY"). In addition, the Group and Company have significant borrowings in USD, mainly to finance the purchase of aircraft and pre-delivery payments in respect of the Group's and Company's firm order of 40 Airbus A330-300 aircraft (Note 23). Therefore, the Group and Company are exposed to currency exchange risk. These exposures are managed, to the extent possible, by natural hedges that arise when payments for foreign currency payables are matched against receivables denominated in the same foreign currency, or whenever possible by intragroup arrangements and settlements.

As at 31 December 2013, if RM had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax profit for the financial year would have been RM40 million (2012: RM43.2 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD denominated receivables and borrowings (term loan and finance lease). Similarly, the impact on other comprehensive income would have been RM3.3 million (2012: nil) higher/lower due to the cash flow hedging in USD. The exposure to other foreign currency risk of the Group is not material and hence, sensitivity analysis is not presented.

28 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Group's currency exposure is as follows:

At 31 December 2013	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets							
Receivables	74,268	14,859	85	1,414	-	-	8,923
Amounts due from related parties	1,529	(14,892)	-	-	-	-	385
Derivative financial instruments	65,929	-	-	-	-	-	-
Deposits, cash and bank balances	73,403	66,996	686	-	222	8,615	5,408
Other deposits *	50,397	-	-	-	-	-	-
	265,526	66,963	771	1,414	222	8,615	14,716
Financial liabilities							
Trade and other payables	139,924	22,930	7,650	-	10,889	6,347	10,287
Amounts due to related parties	1,820	14	-	-	-	-	-
Borrowings	1,956,171	-	-	-	-	-	-
	2,097,915	22,944	7,650	-	10,889	6,347	10,287
Net exposure	(1,832,389)	44,019	(6,879)	1,414	(10,667)	2,268	4,429

* Includes currency exposure for other deposits that are financial assets only.

28 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Group's currency exposure is as follows: (continued)

At 31 December 2012	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets							
Receivables	75,333	9,008	666	1,547	-	-	2,811
Amounts due from related parties	25	(6,646)	-	-	-	-	-
Deposits, cash and bank balances	43,247	62,756	662	-	355	8,049	7,783
Other deposits *	33,739	-	-	-	-	-	-
	152,344	65,118	1,328	1,547	355	8,049	10,594
Financial liabilities							
Trade and other payables	68,496	47,090	7,335	-	4,624	14,719	13,227
Amounts due to related parties	1,262	-	-	-	-	-	-
Borrowings	1,082,947	-	-	-	-	-	-
	1,152,705	47,090	7,335	-	4,624	14,719	13,227
Net exposure	(1,000,361)	18,028	(6,007)	1,547	(4,269)	(6,670)	(2,633)

* Includes currency exposure for other deposits that are financial assets only.

28 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Company's currency exposure is as follows:

At 31 December 2013	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets							
Receivables	74,268	14,824	85	1,414	-	-	8,923
Amounts due from related parties	1,529	(14,954)	-	-	-	-	385
Derivative financial instruments	65,929	-	-	-	-	-	-
Deposits, cash and bank balances	73,403	66,803	686	-	222	8,615	5,402
Other deposits *	50,397	-	-	-	-	-	-
	265,526	66,673	771	1,414	222	8,615	14,710
Financial liabilities							
Trade and other payables	139,924	22,232	7,650	-	10,889	6,347	10,287
Amounts due to related parties	1,820	1,348	-	-	-	-	553
Borrowings	1,956,171	-	-	-	-	-	-
	2,097,915	23,580	7,650	-	10,889	6,347	10,840
Net exposure	(1,832,389)	43,093	(6,879)	1,414	(10,667)	2,268	3,870

* Includes currency exposure for other deposits that are financial assets only.

28 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Company's currency exposure is as follows: (continued)

At 31 December 2012	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets							
Receivables	75,333	8,636	666	1,547	-	-	2,811
Amounts due from related parties	25	(6,679)	-	-	-	-	-
Deposits, cash and bank balances	43,247	62,128	662	-	355	8,049	7,435
Other deposits *	33,739	-	-	-	-	-	-
	152,344	64,085	1,328	1,547	355	8,049	10,246
Financial liabilities							
Trade and other payables	68,496	45,676	7,335	-	4,624	14,719	12,944
Amounts due to related parties	1,262	999	-	-	-	-	652
Borrowings	1,082,947	-	-	-	-	-	-
	1,152,705	46,675	7,335	-	4,624	14,719	13,596
Net exposure	(1,000,361)	17,410	(6,007)	1,547	(4,269)	(6,670)	(3,350)

* Includes currency exposure for other deposits that are financial assets only.

28 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit risk

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

The Group's and Company's exposure to credit risk or the risk of counterparties defaulting arises mainly from various deposits and bank balances, and receivables. As the Group and Company do not hold collateral, the maximum exposure to credit risk is represented by the total carrying amounts of these financial assets in the balance sheet. Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures.

Credit risk relating to receivables is minimised by regular monitoring and, in addition, credit risk is controlled as the majority of the Group's and Company's deposits and bank balances are placed with major financial institutions and reputable parties. The Directors are of the view that the possibility of non-performance by the majority of these financial institutions is remote on the basis of their financial strength and support of their respective governments.

The Group and Company generally have no concentration of credit risk arising from trade receivables, other than as disclosed in Note 19 to the financial statements.

(c) Liquidity and cash flow risk

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

Whilst the Group's and Company's current liabilities exceeded their current assets by RM762,703,000 and RM764,439,000 respectively as at 31 December 2013, the Directors are of the view that no material uncertainty relating to these conditions exists that may cast significant doubt on the Group's or Company's ability to continue as a going concern. The Directors believe that the Group and Company are able to realise their assets and discharge their liabilities in the normal course of business and that the financial position will be improved through future operating profits and cash flows. In January 2014, the Group and Company also secured a term loan amounting to USD72.5 million (approximately RM237.7 million) to finance the acquisition of an Airbus A330-300 which was delivered on 9 January 2014 and are currently in negotiations with lenders for credit facilities to finance their commitments for the acquisition of aircraft in 2014. The Directors are of the view that the Group and Company are able to secure these credit facilities to finance the delivery of the relevant aircraft according to the aircraft delivery schedule given that the Group and Company are currently finalising the terms and conditions of these credit facilities.

28 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

Group

At 31 December 2013

	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Term loans	248,771	468,421	423,324	714,822
Revolving credit	307,437	152,336	-	-
Hire purchase	19	37	37	-
Trade and other payables	346,778	-	-	-
Amounts due to related parties	1,916	-	-	-
	904,921	620,794	423,361	714,822

At 31 December 2012

	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Term loans	135,561	257,958	240,561	368,824
Time loan	49,146	-	-	-
Revolving credit	376,281	96,757	42,599	-
Commodity Murabahah Term Financing	22,010	-	-	-
Trade and other payables	254,004	-	-	-
Amounts due to related parties	5,929	-	-	-
	842,931	354,715	283,160	368,824

28 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

Company

At 31 December 2013

	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Term loans	248,771	468,421	423,324	714,822
Revolving credit	307,437	152,336	-	-
Hire purchase	19	37	37	-
Trade and other payables	346,080	-	-	-
Amounts due to related parties and subsidiaries	3,803	-	-	-
	906,110	620,794	423,361	714,822

At 31 December 2012

	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Term loans	135,561	257,958	240,561	368,824
Time loan	49,146	-	-	-
Revolving credit	376,281	96,757	42,599	-
Commodity Murabahah Term Financing	22,010	-	-	-
Trade and other payables	252,307	-	-	-
Amounts due to related parties and subsidiaries	7,580	-	-	-
	842,885	354,715	283,160	368,824

28 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(d) Capital risk management

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

In order to optimise the capital structure, or the capital allocation amongst the Group's various businesses, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, take on new debts or sell assets to reduce debt. The Group's overall strategy remains unchanged from the previous financial year.

The Group monitors capital utilisation on the basis of the gearing ratio. This ratio is calculated as total debts divided by total shareholders' equity. Total debts are calculated as total borrowings (including "short term and long term borrowings" as shown in the balance sheets).

The gearing ratio as at the balance sheet date is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total borrowings (a)	1,996,253	1,392,256	1,996,253	1,392,256
Total equity attributable to equity holders of the Company (b)	1,236,155	580,730	1,234,921	579,296
Gearing ratio (a)/(b)	1.6	2.4	1.6	2.4

The Group and the Company are in compliance with all externally imposed capital requirements.

28 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement

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

Determination of fair value and fair value hierarchy

The Group's financial instruments are measured in the balance sheet at fair value. Disclosure of fair value measurements are by level of the following fair value measurement hierarchy:

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

The following table presents the Group and Company's assets and liabilities that are measured at fair value at 31 December 2013, 31 December 2012.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group and Company				
31 December 2013				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	5,541	-	5,541
Derivatives used for hedging	-	60,388	-	60,388
	-	65,929	-	65,929
31 December 2012				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	-	-	-
Derivatives used for hedging	-	-	-	-
	-	-	-	-

28 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

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

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

- The fair value of CCIRS contracts is determined using forward interest rates extracted from observable yield curves and forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- The fair value of fuel swap contracts is determined using forward fuel price at the balance sheet date, with the resulting value discounted back to present value.

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

29 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

Group	Loan and receivables RM'000	Assets at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Total RM'000
31 December 2013				
Assets as per balance sheet				
Trade and other receivables excluding prepayments	122,079	-	-	122,079
Other deposits	90,751	-	-	90,751
Amount due from related parties	17,740	-	-	17,740
Deposits, cash and bank balances	262,976	-	-	262,976
Derivative financial instruments	-	5,541	60,388	65,929
Total	493,546	5,541	60,388	559,475

	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per balance sheet		
Borrowings	1,996,253	1,996,253
Trade and other payables	346,778	346,778
Amount due to a related party	1,916	1,916
Total	2,344,947	2,344,947

29 FINANCIAL INSTRUMENTS

(a) Financial instruments by category (continued)

Group 31 December 2012	Loan and receivables RM'000	Total RM'000
Assets as per balance sheet		
Trade and other receivables excluding prepayments	106,531	106,531
Other deposits	33,739	33,739
Amount due from related parties	15,738	15,738
Deposits, cash and bank balances	173,951	173,951
Total	329,959	329,959

	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per balance sheet		
Borrowings	1,392,256	1,392,256
Trade and other payables	254,004	254,004
Amount due to a related party	5,929	5,929
Total	1,652,189	1,652,189

29 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

Company	Loan and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2013				
Assets as per balance sheet				
Trade and other receivables excluding prepayments	122,044	-	-	122,044
Other deposits	90,751	-	-	90,751
Amount due from related parties	17,678	-	-	17,678
Deposits, cash and bank balances	262,777	-	-	262,777
Derivative financial instruments	-	5,541	60,388	65,929
Total	493,250	5,541	60,388	559,179

	Other financial liabilities at amortised cost	Total
	RM'000	RM'000
Liabilities as per balance sheet		
Borrowings	1,996,253	1,996,253
Trade and other payables	346,080	346,080
Amount due to a related party	3,803	3,803
Total	2,346,136	2,346,136

29 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments by category (continued)

Company	Loan and receivables RM'000	Total RM'000
31 December 2012		
Assets as per balance sheet		
Trade and other receivables excluding prepayments	106,159	106,159
Other deposits	33,739	33,739
Amount due from related parties	15,705	15,705
Deposits, cash and bank balances	172,975	172,975
Total	328,578	328,578

	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per balance sheet		
Borrowings	1,392,256	1,392,256
Trade and other payables	252,307	252,307
Amount due to a related party	7,580	7,580
Total	1,652,143	1,652,143

(c) Credit quality of financial assets

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

	Group 2013 RM'000	Group 2012 RM'000
Derivative financial assets		
AA+ to A+	519	-
A to BBB-	65,410	-
	65,929	-

30 SEGMENTAL INFORMATION

Management has determined the operating segments based on reports that are reviewed and used to make strategic decisions by the Group's Chief Executive Officer ("CEO") who is identified as the chief operating decision maker.

The Group's CEO considers the business from a geographic perspective. With the termination of certain routes in the previous financial year, the operating segments have been reassessed and identified as North Asia, Australia and Middle East and West Asia. During the financial year, management has also revised the presentation of expense line items in the reports reviewed and used by the CEO to make strategic decisions. The comparatives for segmental information have been restated to be consistent with the present reporting structure.

The operating segments derive their revenues primarily from the Group's activities of provision of long haul air transportation services to these locations.

Consistent with information provided to the chief operating decision maker, revenue and certain direct costs (fuel and oil and maintenance, overhaul and user charges) were extracted on actual earned/incurred basis and disclosed accordingly in the operating segment results for the financial years ended 31 December 2013 and 31 December 2012 respectively. All other costs are allocated to the various segments based on "block hours"..Block hours are defined as the time between the departure of an aircraft and its arrival at its destination, as recorded in the aircraft flight log.

Company No.

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AIRASIA X BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (CONTINUED)

30 SEGMENTAL INFORMATION (CONTINUED)

The Group's operations by geographical segments are as follows:

2013	North Asia	Australia	West Asia and Middle East	Total
	RM'000	RM'000	RM'000	RM'000
External revenue				
- Scheduled flights	755,508	518,171	132,768	1,406,447
- Refunds	(1,052)	(351)	(393)	(1,796)
	754,456	517,820	132,375	1,404,651
- Charter flights	4,681	-	102,320	107,001
- Fuel surcharge	110,503	139,221	4,115	253,839
- Freight and cargo	60,220	29,215	583	90,018
- Ancillary revenue	217,918	217,075	17,501	452,494
- Management fees	178	142	27	347
	1,147,956	903,473	256,921	2,308,350
Operating expenses				
- Staff costs	(111,110)	(90,686)	(31,805)	(233,601)
- Fuel and oil	(551,308)	(465,215)	(84,693)	(1,101,216)
- Maintenance, overhaul and user charges and other related expenses	(227,885)	(166,358)	(57,126)	(451,369)
- Aircraft operating lease expenses	(73,529)	(59,761)	(53,373)	(186,663)
- Other operating costs	(90,446)	(92,596)	(20,419)	(203,461)
- Other income	11,802	8,648	5,492	25,942
- Share of results of an associate	(286)	(178)	(38)	(502)
Gross profit	105,194	37,327	14,959	157,480
EBITDAR	178,723	97,088	68,332	344,143
EBITDA	105,194	37,327	14,959	157,480
Depreciation of property, plant and equipment	(61,291)	(47,467)	(11,800)	(120,558)
EBIT	43,903	(10,140)	3,159	36,922
Interest income	2,142	1,238	231	3,611
Interest expense and finance charges	(39,821)	(31,424)	(5,177)	(76,422)
Foreign exchange loss	(90,047)	(73,593)	(12,531)	(176,171)
Loss before tax	(83,823)	(113,919)	(14,318)	(212,060)
Taxation	63,275	51,713	8,805	123,793
Net loss for the financial year	(20,548)	(62,206)	(5,513)	(88,267)

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AIRASIA X BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (CONTINUED)

30 SEGMENTAL INFORMATION (CONTINUED)

The Group's operations by geographical segments are as follows (continued):

2012	North Asia RM'000	Australia RM'000	West Asia and Middle East* RM'000	Total RM'000
External revenue				
- Scheduled flights	611,891	487,950	183,736	1,283,577
- Refunds	(377)	(178)	(1,244)	(1,799)
	611,514	487,772	182,492	1,281,778
- Charter flights	1,134	-	66,714	67,848
- Fuel surcharge	54,091	82,036	12,099	148,226
- Freight and cargo	47,980	22,985	8,302	79,267
- Ancillary revenue	162,967	163,464	37,503	363,934
- Management fees	172	142	50	364
- Other revenue	-	-	26,010	26,010
	877,858	756,399	333,170	1,967,427
Operating expenses				
- Staff costs	(79,347)	(64,675)	(36,476)	(180,498)
- Fuel and oil	(421,808)	(344,271)	(159,215)	(925,294)
- Maintenance, overhaul and user charges and other related expenses	(169,826)	(124,196)	(87,523)	(381,545)
- Aircraft operating lease expenses	(56,120)	(45,067)	(51,221)	(152,408)
- Other operating costs	(63,727)	(88,398)	(26,473)	(178,598)
- Other income	2,577	2,246	2,158	6,981
Gross profit/(loss)	89,607	92,038	(25,580)	156,065
EBITDAR	145,727	137,105	25,641	308,473
EBITDA	89,607	92,038	(25,580)	156,065
Depreciation of property, plant and equipment	(50,264)	(40,378)		(16,455)
EBIT	39,343	51,660	(42,035)	48,968
Interest income	887	744	245	1,876
Interest expense and finance charges	(27,376)	(22,349)	(6,713)	(56,438)
Foreign exchange gain	20,034	16,183	7,382	43,599
Profit/(loss) before tax	32,888	46,238	(41,121)	38,005
Taxation	(1,910)	(1,543)	(702)	(4,155)
Net loss for the financial year	30,978	44,695	(41,823)	33,850

* Includes Europe, India and New Zealand which were terminated in 2012. This presentation is consistent with the financial information presented and regularly reviewed by the Group CEO.

30 SEGMENTAL INFORMATION (CONTINUED)

Note:

EBITDAR - Earnings before interest, taxes, depreciation, amortisation and restructuring or rent costs
EBITDA - Earnings before interest, taxes, depreciation and amortisation
EBIT - Earnings before interest and taxes

All material non-current assets are based in Malaysia at the end of the current and previous financial year end.

The Group has not disclosed information relating to revenue from external customers which are attributed to the country of domicile and which are attributable to all foreign countries in total from which the Group derives revenue. Due to the nature of activities in the Group, the necessary information is not available and the cost to develop it would be excessive.

31 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

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

	Group	
	2013	2012
Net (loss)/earnings for the financial year (RM'000)	(88,267)	33,850
Weighted average number of ordinary/preference shares in issue ('000)	1,309,305	266,667
(Loss)/earnings per share (sen)	(6.7)	12.7

Diluted (loss)/earnings per share

The diluted (loss)/earnings per share of the Group is similar to the basic (loss)/earnings per share as the options over unissued ordinary shares granted pursuant to the ESOS at the end of the financial year have an anti-dilutive effect. The exercise price of the ESOS of RM1.25 per option is above the average market value of the Company's shares during the financial year.

32 DISCLOSURES OF INTERESTS IN OTHER ENTITIES

The Company had set up Merah X entities, special purpose companies ("SPC") pursuant to aircraft loans obtained from various financial institutions. In this arrangement, the SPC entered into a Head Instalment Sale Agreement with special purpose companies incorporated in the Cayman Islands, for the purchase of Airbus A330-300 aircrafts. In turn the SPC entered into an instalment Sale Agreement with the Company for the sale of the Airbus A330-300 aircraft.

The details of the Merah X entities are as follows:

Name	Country of incorporation	Purpose
Merah X Satu Limited	Malaysia	Purchase of 2 Airbus A330-300 aircraft
Merah X Dua Limited	Malaysia	Purchase of 3 Airbus A330-300 aircraft
Merah X Tiga Limited	Malaysia	Purchase of 2 Airbus A330-343 aircraft
Merah X Empat Limited	Malaysia	Purchase of 1 Airbus A330-300 aircraft
Merah X Lima Limited	Malaysia	Purchase of 1 Airbus A330-300 aircraft
Merah X Enam Limited	Malaysia	Purchase of 2 Airbus A330-300 aircraft

The Merah X entities do not incur any losses or income during the financial year ended 31 December 2013. The aircraft and the corresponding term loans and finance costs have been recognised by the Company upon the purchase of the aircraft.

The Group and the Company do not provide any financial support to these SPCs. The Group and the Company do not have any contractual obligation to make good the losses, if any.

33 EVENTS SUBSEQUENT TO THE FINANCIAL YEAR END

(a) On 6 January 2014, the Company procured the issuance of a standby letter of credit ("SBLC") for up to USD4.0 million (approximately RM13.2 million) to provide maintenance reserves deposit as required under the finance lease for its acquisition of a new Airbus A330-300 aircraft in January 2014. This SBLC is secured by a first fixed charge over the credit balance of its account in London maintained with the SBLC provider, where an amount equal to 50% of the SBLC amount has been deposited.

(b) On 7 January 2014, the Company obtained a term loan amounting to USD 72.5 million (approximately 237.7 million) to finance the acquisition of an Airbus A330-300 aircraft which was delivered on 9 January 2014. The repayment of this term loan is on a quarterly basis over 10 years, with equal principal instalments, at an annual interest rate of London Interbank Offered Rate (LIBOR) + 0.23210%. In connection with the USD72.5 million financing, the Company had, on 2 January 2014, entered into an interest swap with a financial institution in respect of the interest repayment of this loan ("SWAP Facility").

Under the Swap facility, the Company converted the USD interest of 3-month LIBOR plus 0.24210% to a RM fixed rate loan with interest at 2.36% per annum for the entire tenor of the loan.

(c) On 23 January 2014, the Company entered into a Shareholders' Agreement with PT Kirana Anugerah Perkasa ("PTKAP") for the purpose of establishing a long-haul low cost airline in Indonesia which will operate through an Indonesian incorporated entity, PT. Indonesia Airasia Extra ("IAAX").

IAAX was incorporated on 22 May 2013 as a limited liability company under the laws of Republic of Indonesia with authorised capital of Rp680,484,540 divided into 69,686,036 shares of Rp9,765 each, and issued and paid-up capital of Rp292,950,000,000 divided into 30,000,000 shares of Rp9,765 each, with PTKAP holding fifty one percent (51%) and AAX holding forty nine percentum (49%)

34 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES LISTING REQUIREMENT

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

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of AirAsia X Berhad and its subsidiaries:				
- Realised	(108,897)	59,811	(110,711)	96,797
- Unrealised	119,429	38,486	119,429	-
	10,532	98,297	8,718	96,797
Total share of accumulated losses from associated companies:				
- Realised	(502)	-	-	-
Total retained earnings as per consolidated financial statements	10,030	98,297	8,718	96,797

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

Company No.

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AIRASIA X BERHAD
(Incorporated in Malaysia)

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

We, Tan Sri Rafidah Aziz and Dato' Yusli Bin Mohamed Yusoff, being two of the Directors of AirAsia X Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 7 to 91 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2013 and of the results and the cash flows of the Group and Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

The information set out in Note 34 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

In accordance with a resolution of the Board of Directors dated 28 APR 2014

TAN SRI RAFIDAH AZIZ
DIRECTOR

DATO' YUSLI BIN MOHAMED YUSOFF
DIRECTOR

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

I, Azran Osman Rani, the officer primarily responsible for the financial management of AirAsia X Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 91 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

AZRAN OSMAN RANI

Subscribed and solemnly declared by the abovenamed Azran Osman Rani at Kuala Lumpur in Malaysia on 28 APR 2014, before me.

COMMISSIONER FOR OATHS
No. W 530
TAN SEOK KETT
MALAYSIA

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

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRASIA X BERHAD
(Incorporated in Malaysia)
(Company No. 734161 K)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AirAsia X Berhad on pages 7 to 91 which comprise the balance sheets as at 31 December 2013 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out in Notes 1 to 33.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRASIA X BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 734161 K)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 34 on page 92 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRASIA X BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 734161 K)

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

IRVIN GEORGE LUIS MENEZES
(No. 2932/06/14 (J))
Chartered Accountant

Kuala Lumpur
28 April 2014