Company No.

734161	K

AIRASIA X BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

0625A6/py

Company No.

734161	K

AIRASIA X BERHAD
(Incorporated in Malaysia)

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

CONTENTS

Company No.

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AIRASIA X BERHAD
(Incorporated in Malaysia)

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 2015.

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 16 to the financial statements. There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year	(349,616)	(366,547)

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 2015.

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 11 June 2015, the Company completed a renounceable rights issue of new ordinary shares of RM0.15 each in the Company together with free detachable warrants for working capital purpose. As a result, 1,777,777,790 ordinary shares of RM0.15 each were issued during the year. These new ordinary shares rank pari passu with the existing ordinary shares. Following the completion of the exercise, the issued and fully paid ordinary shares of the Company consists of 4,148,148,177 ordinary shares of RM0.15 each with a share premium of RM911,820,644 and warrant reserve of RM62,222,223.

The new issuance of share capital is disclosed in Note 27.

EMPLOYEES' SHARE OPTION SCHEME

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 of the Group. 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 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.

There is no ESOS exercised during the financial year.

Details of the ESOS are set out in Note 27 to the financial statements.

DIRECTORS

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

Tan Sri Rafidah Aziz	
Datuk Kamarudin Bin Meranun	
Tan Sri Dr. Anthony Francis Fernandes	
Lim Kian Onn	
Dato' Fam Lee Ee	
Tan Sri Asmat Bin Kamaludin	
Dato' Yusli Bin Mohamed Yusoff	
Dato' Seri Kalimullah Bin Masheerul Hassan	(Retired on 4 June 2015)
Kiyotaka Tanaka	(Retired on 4 June 2015)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 5 and Note 30 to the financial statements.

Company No.

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AIRASIA X BERHAD
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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM0.15 each			
	1.1.2015	Acquired/ Transferred	Disposed/ Transferred	31.12.2015
Direct interests in the Company				
Datuk Kamarudin Bin Meranun	192,972,994	144,729,745	-	337,702,739
Tan Sri Dr. Anthony Francis Fernandes	49,887,845	37,415,883	-	87,303,728
Lim Kian Onn	112,447,632	84,335,724	-	196,783,356
Tan Sri Rafidah Aziz	100,000	75,000	-	175,000
Tan Sri Asmat Bin Kamaludin	100,000	75,000	-	175,000
Dato' Yusli Bin Mohamed Yusoff	100,000	100,000	-	200,000
Indirect interests in the Company				
Datuk Kamarudin Bin Meranun	748,760,787*	561,570,589	-	1,310,331,376*
Tan Sri Dr. Anthony Francis Fernandes	748,760,787*	561,570,589	-	1,310,331,376*
Lim Kian Onn**	600,000	450,000	-	1,050,000
Tan Sri Rafidah Aziz***	100,000	-	-	100,000

* Deemed interest by virtue of their shareholding interests in AirAsia Berhad and Tune Group Sdn Bhd 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 (deceased) of Tan Sri Rafidah Aziz in the shares of the Company shall also be treated as the interest of Tan Sri Rafidah Aziz.

According to the register of Directors' shareholdings, other than disclosed above, 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.

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.

Company No.

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AIRASIA X BERHAD
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DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 29 March 2016.

TAN SRI RAFIDAH AZIZ
DIRECTOR

DATUK KAMARUDIN BIN MERANUN
DIRECTOR

Company No.

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AIRASIA X BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Revenue	4	3,062,553	2,936,727	3,061,192	2,935,584
Operating expenses					
- Staff costs	5	(315,821)	(313,018)	(311,501)	(308,730)
- Depreciation of property, plant and equipment		(144,807)	(180,730)	(144,807)	(180,730)
- Aircraft fuel expenses		(1,020,881)	(1,519,924)	(1,020,881)	(1,519,924)
- Maintenance, overhaul, user charges and other related expenses		(891,865)	(638,167)	(891,865)	(638,167)
- Aircraft operating lease expenses		(706,058)	(337,978)	(706,058)	(337,978)
- Other operating expenses	6	(137,445)	(313,954)	(141,013)	(317,671)
Other income	7	116,881	190,744	116,881	190,744
Operating loss		(37,443)	(176,300)	(38,052)	(176,872)
Finance income	9	19,812	6,349	19,812	6,349
Finance costs	9	(84,131)	(159,658)	(84,131)	(159,658)
Net operating loss		(101,762)	(329,609)	(102,371)	(330,181)
Foreign exchange losses	9	(299,562)	(136,921)	(299,562)	(136,921)
Share of results of an associate	17	-	(19,516)	-	-
Share of results of a joint venture	18	(37,566)	(16,322)	-	-
Other losses	8	(7,585)	(102,993)	(61,473)	(102,993)
Loss before taxation		(446,475)	(605,361)	(463,406)	(570,095)
Taxation					
- Current taxation	10	(169)	(245)	(169)	(71)
- Deferred taxation	10	97,028	86,163	97,028	86,163
		96,859	85,918	96,859	86,092
Net loss for the financial year		(349,616)	(519,443)	(366,547)	(484,003)
Net loss for the financial year attributable to:					
- Equity holders of the Company		(349,616)	(519,443)		
- Non-controlling interests		-	-		
		(349,616)	(519,443)		
Loss per share (sen)					
- Basic	11	(10.4)	(21.9)		
- Diluted	11	(10.4)	(21.9)		

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AIRASIA X BERHAD
(Incorporated in Malaysia)

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Net loss for the financial year	(349,616)	(519,443)	(366,547)	(484,003)
Other comprehensive (loss)/income				
Items that may be subsequently reclassified to profit or loss				
Cash flow hedges	(114,108)	(14,049)	(114,108)	(14,049)
Foreign currency translation differences	231	(26)	-	-
Other comprehensive loss for the financial year, net of tax	(113,877)	(14,075)	(114,108)	(14,049)
Total comprehensive loss for the financial year	(463,493)	(533,518)	(480,655)	(498,052)
Total comprehensive loss attributable to:				
- Equity holders of the Company	(463,493)	(533,518)		
- Non-controlling interests	-	-		
	(463,493)	(533,518)		

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AIRASIA X BERHAD
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BALANCE SHEETS AS AT 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	1,677,613	1,934,588	1,677,613	1,934,588
Deferred tax assets	13	542,821	445,793	542,821	445,793
Deposits on aircraft purchases	14	243,601	469,526	243,601	469,526
Other deposits and prepayments	15	903,374	344,420	903,374	344,420
Investments in subsidiaries	16	-	-	*	*
Investment in an associate	17	-	-	20,018	20,018
Investment in a joint venture	18	-	37,566	-	53,888
		3,367,409	3,231,893	3,387,427	3,268,233
CURRENT ASSETS					
Inventories	20	3,985	1,362	3,985	1,362
Receivables and prepayments	21	282,463	310,894	282,403	310,821
Amounts due from related parties	22	30,103	38,769	29,330	38,304
Amount due from a joint venture	22	55,570	19,499	55,570	19,499
Amount due from an associate	22	26,150	5,314	-	-
Amount due from a subsidiary	22	-	-	26,150	5,314
Tax recoverable		712	1,065	579	1,039
Deposits, cash and bank balances	23	310,789	127,198	310,274	126,767
		709,772	504,101	708,291	503,106
Non-current asset held for sale	24	105,116	-	105,116	-
		814,888	504,101	813,407	503,106
LESS: CURRENT LIABILITIES					
Sales in advance		671,510	497,855	671,510	497,855
Derivative financial instruments	19	115,215	102,993	115,215	102,993
Trade and other payables	25	849,075	828,802	848,279	828,019
Amounts due to related parties	22	45,668	23,173	45,668	23,173
Amounts due to subsidiaries	22	-	-	2,263	1,896
Amount due to an associate	22	-	196	-	196
Borrowings	26	319,477	513,245	319,477	513,245
		2,000,945	1,966,264	2,002,412	1,967,377
NET CURRENT LIABILITIES		(1,186,057)	(1,462,163)	(1,189,005)	(1,464,271)

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AIRASIA X BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2015 (CONTINUED)

		Group		Company	
	Note	2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
NON-CURRENT LIABILITIES					
Borrowings	26	1,109,610	1,066,100	1,109,610	1,066,100
Other payables and accruals	25	439,935	-	439,935	-
		1,549,545	1,066,100	1,549,545	1,066,100
		631,807	703,630	648,877	737,862
CAPITAL AND RESERVES					
Share capital	27	622,222	355,556	622,222	355,556
Share premium		911,821	849,598	911,821	849,598
Warrant reserve		62,222	-	62,222	-
Currency translation reserve		127	(104)	-	-
Accumulated losses		(859,029)	(509,413)	(841,832)	(475,285)
Other reserves	28	(105,556)	7,993	(105,556)	7,993
Shareholders' equity		631,807	703,630	648,877	737,862

* Less than RM1,000

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

		Attributable to equity holders of the Company										
		Issued and fully paid ordinary shares of RM0.15 each										
	Note	Number of shares	Nominal value	Share premium	Warrant reserve	Cash flow hedge reserve	Share option reserve	Currency translation reserve	Accumulated losses	Total	Non-controlling interest	Total equity
		'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2015		2,370,370	355,556	849,598	-	6,478	1,515	(104)	(509,413)	703,630	-	703,630
Net loss for the financial year		-	-	-	-	-	-	-	(349,616)	(349,616)	-	(349,616)
Other comprehensive (loss)/income		-	-	-	-	(114,108)	-	231	-	(113,877)	-	(113,877)
Total comprehensive (loss)/income		-	-	-	-	(114,108)	-	231	(349,616)	(463,493)	-	(463,493)
Issuance of new shares	27	1,777,778	266,666	62,223	62,222	-	-	-	-	391,111	-	391,111
Employee Share Option Scheme	27	-	-	-	-	-	559	-	-	559	-	559
At 31 December 2015		4,148,148	622,222	911,821	62,222	(107,630)	2,074	127	(859,029)	631,807	-	631,807

AIRASIA X BERHAD
(Incorporated in Malaysia)

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

		Attributable to equity holders of the Company									
		Issued and fully paid ordinary shares of RM0.15 each									
	Note	Number of shares	Nominal value	Share premium	Cash flow hedge reserve	Share option reserve	Currency translation reserve	(Accumulated losses)/ Retained earnings	Total	Non-controlling interest	Total equity
		'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2014		2,370,370	355,556	849,598	20,527	522	(78)	10,030	1,236,155	-	1,236,155
Net loss for the financial year		-	-	-	-	-	-	(519,443)	(519,443)	-	(519,443)
Other comprehensive loss		-	-	-	(14,049)	-	(26)	-	(14,075)	-	(14,075)
Total comprehensive loss		-	-	-	(14,049)	-	(26)	(519,443)	(533,518)	-	(533,518)
Employee Share Option Scheme	27	-	-	-	-	993	-	-	993	-	993
At 31 December 2014		2,370,370	355,556	849,598	6,478	1,515	(104)	(509,413)	703,630	-	703,630

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

	Note	Issued and fully paid ordinary shares of RM0.15 each: Number of shares	Issued and fully paid ordinary shares of RM0.15 each: Nominal value	Non-distributable: Share premium	Non-distributable: Warrant reserve	Non-distributable: Cash flow hedge reserve	Non-distributable: Share option reserve	Accumulated losses	Total
		'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2015		2,370,370	355,556	849,598	-	6,478	1,515	(475,285)	737,862
Net loss for the financial year		-	-	-	-	-	-	(366,547)	(366,547)
Other comprehensive loss		-	-	-	-	(114,108)	-	-	(114,108)
Total comprehensive loss		-	-	-	-	(114,108)	-	(366,547)	(480,655)
Issuance of new shares	27	1,777,778	266,666	62,223	62,222	-	-	-	391,111
Employee Share Option Scheme	27	-	-	-	-	-	559	-	559
At 31 December 2015		4,148,148	622,222	911,821	62,222	(107,630)	2,074	(841,832)	648,877

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

		Issued and fully paid ordinary shares of RM0.15 each		Non-distributable				
	Note	Number of shares	Nominal value	Share premium	Cash flow hedge reserve	Share option reserve	(Accumulated losses)/ Retained earnings	Total
		'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2014		2,370,370	355,556	849,598	20,527	522	8,718	1,234,921
Net loss for the financial year		-	-	-	-	-	(484,003)	(484,003)
Other comprehensive loss		-	-	-	(14,049)	-	-	(14,049)
Total comprehensive loss		-	-	-	(14,049)	-	(484,003)	(498,052)
Employee Share Option Scheme	27	-	-	-	-	993	-	993
At 31 December 2014		2,370,370	355,556	849,598	6,478	1,515	(475,285)	737,862

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(446,475)	(605,361)	(463,406)	(570,095)
Adjustments:				
Property, plant and equipment				
- Depreciation	144,807	180,730	144,807	180,730
- Write off	7,752	4,890	7,752	4,890
Gain on disposal	(32,541)	(121,257)	(32,541)	(121,257)
Impairment of trade and other receivables	-	1,509	-	1,509
Impairment of investment in a joint venture	-	-	53,888	-
Finance cost	75,076	99,935	75,076	99,935
Discounting effect of deposits	9,055	59,723	9,055	59,723
Interest income	(3,849)	(1,051)	(3,849)	(1,051)
Discounting/accretion of interest on deposits	(15,963)	(5,298)	(15,963)	(5,298)
Fair value (gain)/loss on derivative financial instruments	(101,886)	134,858	(101,886)	134,858
Fair value gain on shareholders' benefits scheme	-	(1,990)	-	(1,990)
Share option expense	559	993	559	993
Share of results of an associate	-	19,516	-	-
Share of results of a joint venture	37,566	16,322	-	-
Net unrealised foreign exchange losses	255,805	90,736	255,118	90,772
	(70,094)	(125,745)	(71,390)	(126,281)
Changes in working capital:				
Inventories	(2,623)	(369)	(2,623)	(369)
Receivables, prepayments and other deposits	(141,004)	(285,065)	(141,017)	(285,029)
Related parties balances	(27,033)	(22,890)	(25,671)	(22,514)
Trade and other payables	122,407	403,743	122,395	403,635
Sales in advance	173,655	76,597	173,655	76,597
Cash generated from operations	55,308	46,271	55,349	46,039
Interest paid	(72,483)	(98,793)	(72,483)	(98,793)
Interest received	3,745	800	3,745	800
Tax recovered	1,001	-	1,001	-
Tax paid	(817)	(836)	(711)	(836)
Net cash used in operating activities	(13,246)	(52,558)	(13,099)	(52,790)

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AIRASIA X BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Property, plant and equipment					
- Additions	12	(37,337)	(352,461)	(37,337)	(352,461)
Investment in a joint venture		-	(53,888)	-	(53,888)
Proceeds from disposal of aircraft and engine pursuant to sales and leaseback arrangement		69,178	1,010,059	69,178	1,010,059
Refund/(Placement) of deposits on aircraft purchases		265,483	(211,469)	265,483	(211,469)
Net cash from investing activities		297,324	392,241	297,324	392,241
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from allotment of shares		391,111	-	391,111	-
Proceeds from borrowings		392,100	597,104	392,100	597,104
Repayments of borrowings		(890,779)	(1,078,563)	(890,779)	(1,078,563)
Deposits pledged as securities		(6,181)	(1,374)	(6,181)	(1,374)
Net cash used in financing activities		(113,749)	(482,833)	(113,749)	(482,833)
NET INCREASE/(DECREASE) FOR THE FINANCIAL YEAR		170,329	(143,150)	170,476	(143,382)
CURRENCY TRANSLATION DIFFERENCES		7,081	5,998	6,850	5,998
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		74,937	212,089	74,506	211,890
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	23	252,347	74,937	251,832	74,506

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2015

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 16 to the financial statements.

There was no significant change 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:

Mezzanine Floor, LCCT
Jalan KLIA S3
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 29th March 2016.

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)

The Group and the Company incurred net losses of RM349,616,000 (2014: RM519,443,000) and RM366,547,000 (2014: RM484,003,000) respectively during the financial year ended 31 December 2015 and as of that date, the Group's and the Company's current liabilities exceeded their current assets by RM1,186,057,000 (2014: RM1,462,163,000) and RM1,189,005,000 (2014: RM1,464,271,000) respectively.

The Directors are of the view that the Group and the Company will have sufficient cash flows for the next twelve months from the reporting date to meet their cash flow requirements. The Directors believe that the Group and the 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. Thus, the Directors believe no material uncertainty exist that may cast significant doubt on the Group's and Company's ability to continue as a going concern.

In preparing the cash flow forecast for the next twelve months, the Directors have made certain significant assumptions involving regulatory approvals for prospective routes, aircraft deliveries, fares, load factors, fuel price, maintenance costs and currency movements. These assumptions have been built into the forecast based on past performance, adjusted for non-recurring circumstances and a reasonable growth rate. In addition, the Directors have also reflected cash flows arising from the implementation of the following strategies:

(i) Rationalising route frequency to allow capacity introduced in the past two years to mature. In this regard, any excess capacity is reassessed and redeployed as necessary to new routes.

(ii) As part of this route strategy, the Group is exploring and analysing new routes in order to optimise yields and network.

(iii) Streamlining the Group's operating expenses and pursuing further unit cost reduction initiatives.

Based on the above, the Directors believe that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis.

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

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

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

The adoption of the Annual Improvements to MFRSs 2010 – 2012 Cycle has required additional disclosures about the aggregation of segments. Other than that, the adoption of these amendments did not have any impact on the current or any prior year and are not likely to affect future periods.

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

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

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

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

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

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 (continued)

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

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

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

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

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

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

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

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)

(d) Basis of consolidation (continued)

(iii) Joint arrangements

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

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

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

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(q) 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 and airframe excluding service potential	25 years
- service potential of engines and airframe	6 or 12 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.

Certain elements of the cost of an airframe are attributed on acquisition to 6 years interval check or 12 years interval check, reflecting its maintenance conditions. This cost is amortised over the shorter of the period to the next scheduled heavy maintenance or the remaining life of the aircraft.

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

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

The costs of upgrades to leased assets are capitalised and amortised over the shorter of the expected useful life of the upgrades 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(h) 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) Non-current assets held-for-sale

Non-current assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investments in subsidiaries, joint ventures and associates

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

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

(h) 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.

(i) Maintenance and overhaul

Owned aircraft

The accounting for the cost of 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases

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

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.

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

Property, plant and equipment acquired under finance lease contracts are depreciated over the estimated useful life of the asset, in accordance with the annual rates stated in Note 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases (continued)

Sale and leaseback transactions

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

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

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

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

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

(k) 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)

(l) 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(w). 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 19 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)’ and ‘foreign exchange losses’.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Trade receivables

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

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

(n) 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.

(o) 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.

(p) 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)

(q) 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)

(r) 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 (including tax incentives) 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)

(s) 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.

(t) Revenue recognition

Revenue from scheduled passenger flights is recognised upon the rendering of transportation services net of discounts. The revenue 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 net of discounts. Freight and other related revenue are recognised upon the completion of services rendered net of discounts.

Management fees, incentives and commission income are recognised on an accrual basis.

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

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)

(u) 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)

(v) 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. However contingent liabilities do not include financial guarantee contracts.

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”.

(w) 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.

<u>Financial assets at fair value through profit or loss</u>

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(l)). Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

<u>Loans and receivables</u>

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, a subsidiary, an associate and joint venture’ and ‘deposits, cash and bank balances’ in the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) 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)

(w) 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)

(w) 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.

(x) 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.

(y) 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.

(z) Segment reporting

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

(aa) Warrant reserve

Warrants reserve arising from the issuance of free warrants together with the rights issue, is determined based on the allocation of the proceeds from the right issue using the fair value of the warrants and the ordinary shares on a pro-rate basis. Proceeds from warrants which are issued at a value, are credited to a warrants reserve. Warrants reserve is non-distributable, and is transferred to the share premium account upon the exercise of warrants. Warrants reserve in relation to unexercised warrants at the expiry of the warrants period is transferred to retained earnings.

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 2015 by RM3,346,000 (2014: RM3,346,000) and decrease the carrying amount of property, plant and equipment as at 31 December 2015 by RM10,704,000 (2014: RM8,548,000).

(ii) Deferred tax assets

Deferred tax assets are mainly originating from unutilised tax incentives, unabsorbed capital allowances and tax losses carry forward which have no expiry dates. 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. Based on these projections, management believes that the current non-time restricted temporary differences will be utilised and has recognised the deferred tax assets as at balance sheet date.

(iii) Impairment of investments in associate and joint venture

The investments in associate and joint venture are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Significant judgement is required in the estimation of the present value of future cash flows generated by the associate and joint venture, which involves uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Estimating the future cash flows involves significant assumptions, especially in respect of regulatory approvals for prospective routes, aircraft delivery, fares, load factors, fuel price, maintenance cost and currency movements. Changes in assumptions can significantly affect the results of the Group's test for impairment of investments in associate and joint venture.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(iv) Sale and leaseback

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

4 REVENUE

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Scheduled flights	1,682,740	1,508,465	1,682,740	1,508,465
Charter flights	421,662	293,287	421,662	293,287
Fuel surcharge	98,861	344,133	98,861	344,133
Freight services	107,508	113,878	107,508	113,878
Ancillary revenue	476,407	586,485	476,407	586,485
Aircraft operating lease income	274,014	89,336	274,014	89,336
Management fees	1,361	1,143	-	-
	3,062,553	2,936,727	3,061,192	2,935,584

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

5 STAFF COSTS

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, bonuses and allowances	289,900	289,054	285,939	285,109
Defined contribution retirement plan	25,362	22,971	25,003	22,628
Share option expense	559	993	559	993
	315,821	313,018	311,501	308,730

The details of outstanding options over the ordinary shares of the Company granted under ESOS to the eligible employees are disclosed in Note 27 to the financial statements.

Included in staff costs are Executive Director and Non-Executive Directors' remuneration which are analysed as follows:

	Group and Company	
	2015	2014
	RM'000	RM'000
Executive Director		
- salaries, bonus and allowances	2,213	-
- defined contribution plan	265	-
- fees	9	-
	2,487	-
Non-executive Directors		
- fees	721	856
	3,208	856

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

	Non-executive	
	2015	2014
Range of remuneration		
Less than RM100,000	4	8
RM100,001 to RM150,000	3	2
RM150,001 to RM200,000	1	1
More than RM200,000	1	-

6 OTHER OPERATING EXPENSES

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Management fee	-	-	4,670	3,508
Rental of land and buildings	6,112	3,986	5,971	3,839
Auditors' remuneration				
- Statutory audit	358	358	341	341
- Non-audit fees	205	331	205	331
Rental of equipment	299	327	299	327
Net foreign exchange (gain)/loss on operations				
- Realised	(27,675)	31,565	(27,675)	31,565
- Unrealised	(50,235)	12,168	(50,922)	12,204
Advertising expenses	42,056	69,514	42,056	70,015
Credit card charges	32,478	36,068	32,478	36,068
In-flight meal expenses	21,630	29,813	21,630	29,813
Insurance expenses	26,508	16,620	26,508	16,260
Penalty on early termination of term loan	-	13,362	-	13,362
Impairment of receivables	-	1,509	-	1,509
Property, plant and equipment written off	7,752	4,890	7,752	4,890

7 OTHER INCOME

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of aircraft and engine pursuant to sales and leaseback arrangements	32,541	121,257	32,541	121,257
Others	84,340	69,487	84,340	69,487
	116,881	190,744	116,881	190,744

Other income ('others') includes concessions received from a supplier and commissions received from advertising activities.

8 OTHER LOSSES

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Other loss from fuel contracts held for trading	7,585	102,993	7,585	102,993
Impairment of investment in a joint venture	-	-	53,888	-
	7,585	102,993	61,473	102,993

9 FINANCE INCOME/(COSTS)

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Finance income:				
Interest income from deposits with licensed bank	3,849	1,051	3,849	1,051
Discounting and accretion of interest on deposits	15,963	5,298	15,963	5,298
	19,812	6,349	19,812	6,349
Finance costs:				
Interest expense on bank borrowings	(74,807)	(98,561)	(74,807)	(98,561)
Discounting effect of deposits	(9,055)	(59,723)	(9,055)	(59,723)
Bank facilities and other charges	(269)	(1,374)	(269)	(1,374)
	(84,131)	(159,658)	(84,131)	(159,658)

FOREIGN EXCHANGE LOSSES

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Unrealised foreign exchange (losses)/ gains on:				
- Borrowings	(312,890)	(64,551)	(312,890)	(64,551)
- Deposits and bank balances	6,850	5,998	6,850	5,998
	(306,040)	(58,553)	(306,040)	(58,553)
Fair value movement recycled from cash flow hedge reserve and others	6,478	(78,368)	6,478	(78,368)
Net foreign exchange losses	(299,562)	(136,921)	(299,562)	(136,921)

10 TAXATION

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Current taxation:				
- Malaysian taxation	169	71	169	71
- Foreign taxation	-	174	-	-
	169	245	169	71
Deferred taxation	(97,028)	(86,163)	(97,028)	(86,163)
Total tax credit	(96,859)	(85,918)	(96,859)	(86,092)
Current taxation:				
- Current financial year	169	245	169	71
Deferred taxation: (Note 13)				
- Origination and reversal of temporary differences	(97,028)	(86,163)	(97,028)	(86,163)
	(96,859)	(85,918)	(96,859)	(86,092)

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

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Loss before taxation	(446,475)	(605,361)	(463,406)	(570,095)
Tax calculated at Malaysian tax rate of 25% (2014: 25%)	(111,619)	(151,340)	(115,852)	(142,524)
Tax effects of:				
- clawback of tax incentives	-	32,834	-	32,834
- expenses not deductible for tax purposes	32,470	53,049	46,095	53,019
- income not subject to tax	(31,145)	(34,217)	(31,145)	(34,217)
- changes in statutory tax rate	4,043	4,796	4,043	4,796
- share of results of an associate and a joint venture	9,392	8,960	-	-
Taxation	(96,859)	(85,918)	(96,859)	(86,092)

11 LOSS PER SHARE

Basic loss per share

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

	Group	
	2015	2014
Net loss for the financial year (RM'000)	(349,616)	(519,443)
Weighted average number of ordinary/preference shares in issue ('000)	3,359,107	2,370,370
Loss per share (sen)	(10.4)	(21.9)

Diluted loss per share

The diluted loss per share of the Group is similar to the basic loss 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.

12 PROPERTY, PLANT AND EQUIPMENT

	At 1 January 2015	Additions	Reclassification	Disposals	Transfer to non-current asset held for sale	Depreciation charge	Write off	At 31 December 2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group and Company								
Net book value								
Aircraft engines, airframe and service potential	1,824,214	-	36,140	(36,140)	(105,116)	(129,493)	(7,296)	1,582,309
Aircraft spares	77,670	1,930	964	(497)	-	(13,404)	(456)	66,207
Motor vehicles	1,348	-	-	-	-	(362)	-	986
Office equipment, furniture and fittings	4,370	2,414	-	-	-	(1,548)	-	5,236
Assets not yet in operation	26,986	32,993	(37,104)	-	-	-	-	22,875
	1,934,588	37,337	-	(36,637)	(105,116)	(144,807)	(7,752)	1,677,613

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Net book value RM'000
At 31 December 2015				
Aircraft engines, airframe and service potential	2,185,260	(573,904)	(29,047)	1,582,309
Aircraft spares	139,834	(62,999)	(10,628)	66,207
Motor vehicles	4,408	(3,422)	-	986
Office equipment, furniture and fittings	11,592	(5,946)	(410)	5,236
Assets not yet in operation	22,875	-	-	22,875
	2,363,969	(646,271)	(40,085)	1,677,613

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1 January 2014	Additions	Reclassification	Disposals	Depreciation charge	Write off	At 31 December 2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group and Company							
Net book value							
Aircraft engines, airframe and service potential	2,161,676	307,346	94,438	(573,658)	(165,588)	-	1,824,214
Aircraft spares	79,572	16,798	-	-	(13,810)	(4,890)	77,670
Motor vehicles	1,944	-	-	-	(596)	-	1,348
Office equipment, furniture and fittings	1,219	3,887	-	-	(736)	-	4,370
Assets not yet in operation	30,802	90,622	(94,438)	-	-	-	26,986
	2,275,213	418,653	-	(573,658)	(180,730)	(4,890)	1,934,588

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost	Accumulated depreciation	Accumulated impairment losses	Net book value
	RM'000	RM'000	RM'000	RM'000
At 31 December 2014				
Aircraft engines, airframe and service potential	2,351,224	(497,963)	(29,047)	1,824,214
Aircraft spares	138,112	(49,814)	(10,628)	77,670
Motor vehicles	4,408	(3,060)	-	1,348
Office equipment, furniture and fittings	9,317	(4,537)	(410)	4,370
Assets not yet in operation	26,986	-	-	26,986
	2,530,047	(555,374)	(40,085)	1,934,588

Included in property, plant and equipment of the Group and Company are aircraft pledged as security for borrowings (Note 26) with a net book value of RM1,579 million (2014: RM1,682 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.

The net cash outflow for the acquisition of property, plant and equipment during the financial year is as follows:

	Group and Company	
	2015	2014
	RM'000	RM'000
Acquisition of property, plant and equipment during the financial year	37,337	418,653
Less: Deposits on aircraft purchases paid in the previous financial year	-	(66,192)
	37,337	352,461

13 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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	542,821	445,793	542,821	445,793

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At beginning of financial year	445,793	359,630	445,793	359,630
Credited/(charged) to income statement (Note 10):				
- Property, plant and equipment	42,373	43,395	42,373	43,395
- Tax losses	81,998	42,665	81,998	42,665
- Tax incentives	-	(32,834)	-	(32,834)
- Derivatives	(29,594)	31,414	(29,594)	31,414
- Others	2,251	1,523	2,251	1,523
	97,028	86,163	97,028	86,163
At end of financial year	542,821	445,793	542,821	445,793

13 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets (before and after offsetting)				
- Tax incentives	251,456	251,456	251,456	251,456
- Tax losses	141,261	59,263	141,261	59,263
- Property, plant and equipment	145,139	102,766	145,139	102,766
- Derivatives	1,820	31,414	1,820	31,414
- Others	3,145	894	3,145	894
Deferred tax assets (before and after offsetting)	542,821	445,793	542,821	445,793

Deferred tax assets are mainly originating from unutilised tax incentives, unabsorbed capital allowances and tax losses carry forward which have no expiry dates. As disclosed in Note 3 to the financial statements, 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. Based on these projections, management believes that the current non-time restricted temporary differences will be utilised and has recognised the deferred tax assets as at balance sheet date.

14 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 2015 are in respect of aircraft purchases which will be delivered from December 2018 to December 2027.

During the financial year ended 31 December 2015, the Group and Company capitalised borrowing costs amounting to RM10,776,540 (2014: RM10,054,000) on qualifying assets. Borrowing costs were capitalised at the rate of 4.25% (2014: 4.90%) per annum.

15 OTHER DEPOSITS AND PREPAYMENTS

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

16 INVESTMENTS IN SUBSIDIARIES

	Company	
	2015	2014
	RM'000	RM'000
Unquoted investments, at cost	#	#

# Denotes RM21 (2014: RM21).

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective equity interest 2015 %	Group's effective equity interest 2014 %	Principal activities
AirAsia X Services Pty Ltd*	Australia	100	100	Provision of management logistical and marketing services
AAX Capital Limited	Malaysia	100	100	Dormant
AAX Leasing I Limited	Malaysia	100	100	Provision of engine leasing facilities
AAX Mauritius One Limited*	Mauritius	100	100	Provision of aircraft leasing facilities
AAX Capital II Limited*	Malaysia	100	100	Dormant
Fly X Limited*	Malaysia	100	100	Dormant

* Not audited by PricewaterhouseCoopers, Malaysia

17 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Unquoted investments, at cost	20,018	20,018	20,018	20,018
Group's share of post-acquisition losses	(20,018)	(20,018)	-	-
	-	-	20,018	20,018

The details of the associate are as follows:

Name	Principal place of business/ country of incorporation	Group's effective equity interest 2015	Group's effective equity interest 2014	Principal activities
		%	%	
Thai AirAsia X Co., Ltd ("TAAX")	Thailand	49	49	Commercial air transport services

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.

TAAX is operator of commercial air transport services which are based in Thailand. This associate company is a strategic investment of the Company and form an essential part of the Company's growth strategy. They provide access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region.

Summarised financial information for associate

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

Summarised balance sheet

	TAAX	
	2015	2014
	RM'000	RM'000
Current		
Cash and cash equivalents	58,673	26,438
Other current assets	182,861	52,603
Total current assets	241,534	79,041

17 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Summarised financial information for associate (continued)

Summarised balance sheet (continued)

	TAAX	
	2015	2014
	RM'000	RM'000
Non-current		
Assets	25,867	19,495
Current		
Financial liabilities	(120,880)	(24,731)
Other liabilities	(241,373)	(110,142)
Total current liabilities	(362,253)	(134,873)
Net liabilities	(94,852)	(36,337)

Summarised statement of comprehensive income

	TAAX	
	2015	2014
	RM'000	RM'000
Revenue	610,651	160,964
Cost of sales	(602,851)	(209,473)
Other operating expenses	(60,932)	(28,503)
Interest income	194	272
Interest expense	(6,348)	(251)
Other income	4,091	825
Loss before taxation	(55,195)	(76,166)
Income tax expenses	-	-
Loss after tax	(55,195)	(76,166)
Other comprehensive income	-	-
Total comprehensive loss	(55,195)	(76,166)
Dividend received from associate	-	-

17 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Reconciliation of summarised financial information

	TAAX	
	2015	2014
	RM'000	RM'000
Opening net (liabilities)/assets at 1 January	(36,337)	39,829
Loss for the financial year	(55,195)	(76,166)
Effect of foreign exchange translation	(3,320)	-
Closing net liabilities at 31 December	(94,852)	(36,337)
Interest in associate (49%)	-	-
Unrecognised share of loss (49%)		
- for the financial year	27,045	17,805
- cumulative as at 31 December	44,850	17,805
Carrying value at 31 December	-	-

18 INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Unquoted investments, at cost	53,888	53,888	53,888	53,888
Group's share of post-acquisition losses	(53,888)	(16,322)	-	-
Accumulated impairment losses	-	-	(53,888)	-
	-	37,566	-	53,888

The details of the joint venture are as follows:

Name	Principal place of business/ country of incorporation	Group's effective equity interest 2015 %	Group's effective equity interest 2014 %	Principal activities
PT Indonesia AirAsia Extra ("IAAX")	Indonesia	49	49	Commercial air transport services

18 INVESTMENT IN A JOINT VENTURE (CONTINUED)

IAAX 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 IAAX.

IAAX is operator of commercial air transport services which are based in Indonesia. This joint venture company is a strategic investment of the Company and form an essential part of the Company's growth strategy. They provide access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region.

During the year, impairment losses were recognised due to the losses incurred by the joint venture.

Summarised financial information for joint venture

Set out below is the summarised financial information for the joint venture which is accounted for using the equity method:

Summarised balance sheet

	IAAX	
	2015	2014
	RM'000	RM'000
Current		
Cash and cash equivalents	19,338	54,211
Other current assets	85,620	54,766
Total current assets	104,958	108,977
Non-current		
Assets	17,107	26,634
Current		
Financial liabilities	(67,927)	(26,222)
Other liabilities	(77,685)	(32,723)
Total current liabilities	(145,612)	(58,945)
Non-current		
Liabilities	(5,727)	-
Net (liabilities)/assets	(29,274)	76,666

18 INVESTMENT IN A JOINT VENTURE (CONTINUED)

Summarised financial information for joint venture (continued)

Summarised statement of comprehensive income

	IAAX	
	2015	2014
	RM'000	RM'000
Revenue	191,326	7
Cost of sales	(283,089)	(28,181)
Other operating expenses	(19,584)	(5,562)
Interest income	216	641
Interest expense	(310)	(215)
Loss before and after tax	(111,441)	(33,310)
Other comprehensive income	2,722	-
Total comprehensive loss	(108,719)	(33,310)
Dividend received from joint venture	-	-

Reconciliation of summarised financial information

	IAAX	
	2015	2014
	RM'000	RM'000
Opening net assets at 1 January/acquisition date	76,666	109,976
Loss for the financial year	(108,719)	(33,310)
Effect of foreign exchange translation	2,779	-
Closing net (liabilities)/assets at 31 December	(29,274)	76,666
Interest in joint venture (49%)	-	37,566
Unrecognised share of loss (49%)		
- for the financial year	15,706	-
- cumulative as at 31 December	15,706	-
Carrying value at 31 December	-	37,566

19 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company			
	2015		2014	
	Assets	Liabilities	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000
Current				
Commodity derivatives				
– held for trading	-	(7,585)	-	(102,993)
– cash flow hedges	-	(107,630)	-	-
	-	(115,215)	-	(102,993)

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) Fuel contracts

The outstanding number of barrels of Brent and fuel derivative contracts as at 31 December 2015 was 2,377,903 barrels (2014: 1,957,597 barrels).

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

20 INVENTORIES

	Group and Company	
	2015	2014
	RM'000	RM'000
Beverages, consumables and in-flight merchandise	3,985	1,362

21 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Trade receivables	115,454	43,176	115,454	43,146
Less: Allowance for impairment of receivables	(196)	(196)	(196)	(196)
	115,258	42,980	115,258	42,950
Other receivables	79,093	51,102	79,086	51,095
Less: Allowance for impairment of receivables	(2,754)	(2,754)	(2,754)	(2,754)
	76,339	48,348	76,332	48,341
Deposits	29,325	141,216	29,285	141,180
Prepayments	61,541	78,350	61,528	78,350
	282,463	310,894	282,403	310,821

The normal credit terms of the Group and Company range from 15 to 30 days (2014: 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 RM82,966,000 (2014: RM31,053,000) respectively, are substantially from companies with good collection track records.

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

As of 31 December 2015, trade receivables for the Group and Company of RM32,292,000 (2014: Group: RM11,927,000; Company: RM11,897,000) were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default.

21 RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade receivables (continued)

(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		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Less than 30 days	10,605	8,335	10,605	8,335
Between 31 and 60 days	1,873	211	1,873	211
Between 61 and 90 days	814	1,895	814	1,865
Between 91 and 120 days	3,782	673	3,782	673
Between 121 and 180 days	6,617	213	6,617	213
More than 180 days	8,601	600	8,601	600
	32,292	11,927	32,292	11,897

(iii) Financial assets that are past due and impaired

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

	Group and Company	
	2015	2014
	RM'000	RM'000
More than 180 days	196	196
Less: Allowance for impairment of receivables	(196)	(196)
	-	-

The individually impaired trade receivables relate mainly 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 trade receivables are as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At 1 January and 31 December	196	196	196	196

21 RECEIVABLES AND PREPAYMENTS (CONTINUED)

(b) Other receivables

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

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

Other receivables that are neither past due nor impaired for the Group and Company of RM52,538,000 (2014: RM19,379,000 and RM19,372,000) are substantially with companies with good collection track records.

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

As at 31 December 2015, other receivables for the Group and Company of RM23,794,000 (2014: RM28,969,000) 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	
	2015	2014
	RM'000	RM'000
Less than 30 days	5,647	6,174
Between 31 and 60 days	134	5,701
Between 61 and 90 days	502	1,562
Between 91 and 120 days	6,698	1,784
Between 121 and 180 days	5,231	4,137
More than 180 days	5,582	9,611
	23,794	28,969

(iii) Financial assets that are past due and impaired

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

	Group and Company	
	2015	2014
	RM'000	RM'000
More than 180 days	2,754	2,754
Less: Allowance for impairment of receivables	(2,754)	(2,754)
	-	-

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

21 RECEIVABLES AND PREPAYMENTS (CONTINUED)

(b) Other receivables (continued)

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

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At 1 January	2,754	1,245	2,754	1,245
Allowance for impairment (Note 6)	-	1,509	-	1,509
At 31 December	2,754	2,754	2,754	2,754

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	59,901	17,585	59,901	17,585
US Dollar	91,049	186,711	91,049	186,711
Australian Dollar	59,736	17,006	59,689	16,933
Euro	588	241	588	241
Indian Rupee	1,529	1,502	1,529	1,502
New Zealand Dollar	-	112	-	112
Others	8,119	9,387	8,119	9,387
	220,922	232,544	220,875	232,471

The other classes within 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.

Included in prepayments are advances made for purchases of fuel, lease of aircraft and maintenance of engines.

Deposits include funds placed with lessor in respect of maintenance of the leased aircraft.

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

22 AMOUNTS DUE FROM / (TO) RELATED PARTIES, AN ASSOCIATE, A JOINT VENTURE 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 30 to 60 days (2014: 30 to 60 days).

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Amounts due from related parties	30,103	38,769	29,330	38,304
Amount due from a joint venture	55,570	19,499	55,570	19,499
Amount due from an associate	26,150	5,314	-	-
Amount due from a subsidiary	-	-	26,150	5,314
	111,823	63,582	111,050	63,117
Amounts due to related parties	(45,668)	(23,173)	(45,668)	(23,173)
Amount due to an associate	-	(196)	-	(196)
Amounts due to subsidiaries	-	-	(2,263)	(1,896)
	(45,668)	(23,369)	(47,931)	(25,265)

The currency profile of amounts due from related parties, a joint venture, an associate and a subsidiary are as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	15,797	36,394	15,797	36,394
Australian Dollar	773	581	-	116
US Dollar	94,108	26,085	94,108	26,085
Others	1,145	522	1,145	522
	111,823	63,582	111,050	63,117

22 AMOUNTS DUE FROM / (TO) RELATED PARTIES, AN ASSOCIATE, A JOINT VENTURE AND SUBSIDIARIES (CONTINUED)

Amounts due from related parties, an associate, a joint venture, and a subsidiary that are neither past due nor impaired for the Group and Company amounted to RM44,552,000 and RM43,779,000 (2014: RM53,639,000 and RM53,558,000) respectively.

The ageing analysis of amounts due from related parties, an associate, a joint venture and a subsidiary that are past due but not impaired is as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Less than 6 months	62,105	9,737	62,105	9,353
More than 6 months	5,166	206	5,166	206
	67,271	9,943	67,271	9,559

The maximum exposure to credit risk as at the balance sheet date is the carrying value of the amounts due from related parties, an associate, a joint venture, and a subsidiary mentioned above.

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 currency profile of amounts due to related parties, an associate and subsidiaries are as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	16,184	21,894	16,184	21,894
Australian Dollar	-	-	1,450	1,132
US Dollar	29,484	1,475	29,484	1,475
New Zealand Dollar	-	-	813	764
	45,668	23,369	47,931	25,265

23 DEPOSITS, CASH AND BANK BALANCES

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	252,347	74,937	251,832	74,506
Deposits with licensed banks	58,442	52,261	58,442	52,261
	310,789	127,198	310,274	126,767
Deposits pledged as securities	(58,442)	(52,261)	(58,442)	(52,261)
Cash and cash equivalents	252,347	74,937	251,832	74,506

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	154,841	39,327	154,841	39,327
US Dollar	92,039	56,568	92,039	56,568
Australian Dollar	22,846	16,884	22,338	16,459
Chinese Renminbi	19,949	1,344	19,949	1,344
Japanese Yen	3,511	3,880	3,511	3,880
Korean Won	4,918	1,497	4,918	1,497
Euro	1,349	445	1,349	445
Others	11,336	7,253	11,329	7,247
	310,789	127,198	310,274	126,767

The Group and Company's weighted average effective interest rate of deposits at the balance sheet date is 2.77 % (2014: 1.44%) per annum.

The deposits with licensed banks of the Group and Company amounting to RM58,442,000 (2014: RM52,261,000) are pledged as securities for banking facilities granted to the Group and Company (Note 26).

24 NON-CURRENT ASSETS HELD FOR SALE

	Group and Company	
	2015	2014
	RM'000	RM'000
Property, plant and equipment	105,116	-

During the financial year, the Directors decided to sell certain aircraft equipment. Potential buyers have been identified. The sale is expected to be completed before the end of 2016.

25 TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Non-current:				
Aircraft maintenance accruals	409,098	-	409,098	-
Other deposits	30,837	-	30,837	-
	439,935	-	439,935	-
Current:				
Trade payables	401,618	379,634	401,308	379,634
Other payables and accruals	447,457	449,168	446,971	448,385
	849,075	828,802	848,279	828,019

Included in other payables and accruals are operational expenses and passenger service charges payable to airport authorities.

The credit term of trade payables granted to the Group and Company is 0 to 90 days (2014: 0 to 90 days).

The currency profile of trade and other payables (excluding aircraft maintenance accruals) is as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	318,815	282,721	318,815	282,721
US Dollar	415,258	431,953	415,258	431,953
Australian Dollar	64,209	55,344	63,413	54,561
Euro	9,013	9,029	9,013	9,029
Taiwan Dollar	4,197	3,306	4,197	3,306
Japanese Yen	28,536	18,355	28,536	18,355
Korean Won	8,545	4,643	8,545	4,643
Chinese Renminbi	27,723	10,114	27,723	10,114
Others	3,616	13,337	3,616	13,337
	879,912	828,802	879,116	828,019

26 BORROWINGS

	Weighted average rate of finance		Group and Company	
	2015	2014	2015	2014
	%	%	RM'000	RM'000
Current				
Secured:				
- Revolving credit	4.52	4.19	120,120	316,026
- Term loans	3.02	4.24	199,341	162,202
- Hire purchase	2.80	2.80	16	17
Unsecured:				
- Commodity structured trade finance	-	5.88	-	35,000
			319,477	513,245
Non-current				
Secured:				
- Term loans	3.02	4.24	1,109,577	1,066,051
- Hire purchase	2.80	2.80	33	49
			1,109,610	1,066,100
Total borrowings			1,429,087	1,579,345

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

	Group and Company	
	2015	2014
	RM'000	RM'000
Fixed rate borrowings	755,485	1,228,319
Floating rate borrowings	673,602	351,026
	1,429,087	1,579,345

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

Not later than 1 year	319,477	513,245
Later than 1 year and not later than 5 years	781,653	648,858
Later than 5 years	327,957	417,242
	1,429,087	1,579,345

The currency profile of borrowings is as follows:

Ringgit Malaysia	49	75,066
US Dollar	1,429,038	1,504,279
	1,429,087	1,579,345

26 BORROWINGS (CONTINUED)

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

	Group and Company			
	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Term loans	615,317	580,321	1,066,051	1,006,804
Hire purchase	33	35	49	53
	615,350	580,356	1,066,100	1,006,857

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 fixed rate 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 3.83% (2014: 2.80% to 4.89%) per annum. The fair values of non-current borrowings are within level 2 of the fair value hierarchy.

Revolving credit facilities

The revolving credit facility of RM120,120,000 as at 31 December 2015 (2014: RM276,026,000) is to finance pre-delivery payments ("PDPs") in respect of the Group's and Company's firm order of Airbus A330-300 aircraft, with an option to acquire additional Airbus A330-300 aircraft. The facility becomes repayable upon delivery of the relevant aircraft and carries interest ranging from 3.2% to 3.25% (2013: 3.2% to 3.25%) per annum above the bank's USD cost of funds.

The revolving credit facility of RM Nil as at 31 December 2015 (2014: RM40,000,000) is to finance the Group's and Company's corporate working capital requirements. The tenure of revolving credit facility is up to 5 years. This facility carries an interest at cost of funds plus 3% (2014: cost of fund plus 3%) per annum.

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 a combination of floating rate of LIBOR + 0.8% and fixed interest rates of between 2.82% to 5.45% (2014: 2.82% to 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.

27 SHARE CAPITAL

	Group and Company	
	2015	2014
	RM'000	RM'000
Authorised:		
Ordinary shares of RM0.15 each:		
At beginning of financial year	500,000	500,000
Created during the financial year	500,000	-
At end of financial year	1,000,000	500,000
Total authorised	1,000,000	500,000

	Group and Company	
	2015	2014
	RM'000	RM'000
Issued and fully paid up:		
Ordinary shares of RM0.15 each:		
At beginning of financial year	355,556	355,556
Issuance of shares during the financial year	266,666	-
At end of financial year	622,222	355,556
Total issued and fully paid up	622,222	355,556

On 27 March 2015, the authorised share capital of the company was increased from RM500,000,000 comprising 3,333,333,333 ordinary shares to RM1,000,000,000 comprising 6,666,666,667 ordinary shares.

On 11 June 2015, the Company completed a renounceable rights issue of new ordinary shares of RM 0.15 each in the Company together with free detachable warrants for working capital purpose. As a result, 1,777,777,790 ordinary shares of RM0.15 each were issued during the year. These new ordinary shares rank pari passu with the existing ordinary shares. Following the completion of the exercise, the issued and fully paid ordinary shares of the Company consists of 4,148,148,177 ordinary shares of RM 0.15 each with a share premium of RM911,820,644 and warrant reserve of RM62,222,223.

27 SHARE CAPITAL (CONTINUED)

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

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 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.

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%) 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 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 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 of Bursa Malaysia, the By-Laws and any laws, regulations and guidelines issued by other relevant authorities.

(c) An 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 options granted are exercisable one year beginning from the date of grant.

27 SHARE CAPITAL (CONTINUED)

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

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.

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

Grant date	Expiry date	Exercise price RM/share	At 1.1.2015 '000	Adjustment '000	Exercised '000	Forfeited '000	At 31.12.2015 '000
1 July 2013	11 October 2017	0.99*	6,150	181*	-	(3,532)	2,799

Grant date	Expiry date	Exercise price RM/share	At 1.1.2014 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2014 '000
1 July 2013	11 October 2017	1.25	9,550	-	-	(3,400)	6,150

* The exercise price of the options and number of options granted were adjusted as a result of the rights issue exercise on 11 June 2015.

The vested options are not exercised as at the balance sheet date.

The amount recognised in the financial statements (Note 5) for all employees arising from the ESOS to the Group and Company are RM559,000 (2014: RM993,000).

28 OTHER RESERVES

	Cash flow hedge reserve	Share option reserve	Total
	RM'000	RM'000	RM'000
Group and Company			
At 1 January 2015	6,478	1,515	7,993
Net change in fair value	(107,630)	559	(107,071)
Amounts transferred to income statement	(6,478)	-	(6,478)
At 31 December 2015	(107,630)	2,074	(105,556)
At 1 January 2014	20,527	522	21,049
Net change in fair value	-	993	993
Amounts transferred to income statement	(14,049)	-	(14,049)
At 31 December 2014	6,478	1,515	7,993

29 COMMITMENTS

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

	Group and Company	
	2015	2014
	RM'000	RM'000
Property, plant and equipment – approved and contracted for:		
- Not later than 1 year	-	3,640,862
- Later than 1 year and not later than 5 years	19,064,614	12,773,934
- Later than 5 years	94,842,046	58,548,565
	113,906,660	74,963,361

Included in capital commitments as at 31 December 2015 is the purchase of Airbus A330 and A350 aircraft over the next 12 years.

(b) Non-cancellable operating leases

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

	Group and Company			
	2015		2014	
	Future minimum lease payments	Future minimum sublease receipts	Future minimum lease payments	Future minimum sublease receipts
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	987,113	293,769	665,326	111,688
Later than 1 year and not later than 5 years	3,920,000	1,206,650	3,314,688	446,751
Later than 5 years	4,700,684	1,214,852	4,977,571	420,343
	9,607,797	2,715,271	8,957,585	978,782

The group leases various aircraft and engines under non-cancellable operating lease agreements. The lease terms are between 10 to 12 years.

30 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.

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

Name of Companies	Relationship
AirAsia X Services Pty Ltd	Subsidiary
AirAsia X Mauritius One Ltd	Subsidiary
Thai AirAsia X Co., Ltd	Associate
PT Indonesia AirAsia Extra	Joint Venture
AirAsia Berhad	Shareholder of the Company for which there is no control, significant influence or joint control; common Directors and shareholders
CaterhamJet Global Ltd	Common Directors and shareholders
Associates of AirAsia Berhad	
- Thai AirAsia Co., Ltd	Common Directors and shareholders
- PT Indonesia AirAsia	Common Directors and shareholders
- AirAsia Japan Co. Ltd	Common Directors and shareholders
- AirAsia Inc	Common Directors and shareholders
- Zest Airway Inc	Common Directors and shareholders
- AirAsia (India) Pvt Ltd	Common Directors and shareholders
Joint ventures of AirAsia Berhad	
- Asian Aviation Centre of Excellence Sdn Bhd	Common shareholders
- AAE Travel Pte Ltd	Common Directors and shareholders
- Tune Insurance Malaysia Berhad	Common Directors and shareholders
Subsidiaries of AirAsia Berhad	
- AirAsia Global Shared Services Sdn Bhd	Common Directors and shareholders
- Rokki Sdn Bhd (formerly known as Tune Box Sdn Bhd)	Common Directors and shareholders

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

Key management personnel are categorised as head or senior management officers of key operating divisions within the Group and Company. The key management compensation is disclosed in Note 30(g) below.

30 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
(a) Income:				
Aircraft operating lease income for leased aircraft				
- AAX Mauritius One Limited	-	-	179,025	69,880
- PT Indonesia AirAsia Extra	94,989	19,457	94,989	19,457
- Thai AirAsia X Co., Ltd	179,025	69,880	-	-
Provision of carried passenger services to				
- AirAsia Berhad	10,940	8,827	10,940	8,827
- Thai AirAsia X Co., Ltd	16,542	-	16,542	-
Commission on travel insurance for passengers charged to				
- Tune Insurance Malaysia Berhad	5,211	2,710	5,211	2,710
Management fees charged to				
- PT Indonesia AirAsia	1,361	1,143	-	-
(b) Recharges:				
Recharges of expenses to				
- PT Indonesia AirAsia	5,835	54	5,835	54
- PT Indonesia AirAsia Extra	2,082	22,359	2,082	22,359
- Thai AirAsia X Co., Ltd	1,819	25,889	1,819	25,889
- Thai AirAsia Co., Ltd	2,598	-	2,598	-
- Zest Airway Inc	3,663	1,118	3,663	1,118
- AirAsia Inc	1,884	-	1,884	-
Recharges of expenses by				
- AirAsia Berhad	(7,833)	(7,388)	(7,833)	(7,388)
- Thai AirAsia Co., Ltd	-	(3,136)	-	(3,136)
(c) Other charges:				
Management fees charged by				
- AirAsia X Services Pty Ltd	-	-	(3,983)	(3,508)
Brand license fee charged by				
- AirAsia Berhad	(8,530)	(8,530)	(8,530)	(8,530)
Training services charged by				
- Asian Aviation Centre of Excellence Sdn Bhd	(13,214)	(5,459)	(13,214)	(5,459)
Marketing services charged by				
- AAE Travel Pte Ltd	-	(53)	-	(53)

30 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(c) Other charges: (continued)				
In-flight entertainment system and software expense charged by - Rokki Sdn Bhd (formerly known as Tune Box Sdn Bhd)	(2,536)	(1,994)	(2,536)	(1,994)
Charter air travel services charged by - CaterhamJet Global Ltd	(6,386)	(4,856)	(6,386)	(4,856)
Shared service management fee charged by - AirAsia Global Shared Services Sdn Bhd	(2,481)	-	(2,481)	-
(d) Premium collected on travel insurance for passengers paid to:				
- Tune Insurance Malaysia Berhad	(20,843)	(10,839)	(20,843)	(10,839)
(e) Receivables:				
- AAX Mauritius One Limited	-	-	26,150	5,314
- PT Indonesia AirAsia	9,548	20,492	9,548	20,027
- AirAsia Inc	7,273	2,248	7,273	2,248
- Thai AirAsia X Co., Ltd	26,150	5,314	-	-
- PT Indonesia AirAsia Extra	55,570	19,499	55,570	19,499
- AirAsia Berhad	1,513	13,861	1,513	13,861
- Zest Airway Inc	-	1,754	-	1,754
- AirAsia (India) Pvt Ltd	4,431	-	4,431	-
- Others	7,338	414	6,565	414
	111,823	63,582	111,050	63,117

30 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(f) Payables:				
- Asian Aviation Centre of Excellence Sdn Bhd	4,224	5,421	4,224	5,421
- Rokki Sdn Bhd (formerly known as Tune Box Sdn Bhd)	1,058	1,088	1,058	1,088
- Tune Insurance Malaysia Berhad	2,676	781	2,676	781
- Thai AirAsia Co., Ltd	30,030	2,939	30,030	2,939
- AirAsia X Services Pty Ltd	-	-	1,450	1,132
- CaterhamJet Global Ltd	2,415	2,621	2,415	2,621
- Zest Airway Inc	4,538	-	4,538	-
- Others	727	10,519	1,540	11,283
	45,668	23,369	47,931	25,265
(g) Key management compensation:				
- basic salaries, bonus and allowances	7,863	7,076	7,863	7,076
- defined contribution plan	891	976	891	976
	8,754	8,052	8,754	8,052

Included in the key management compensation is Executive Director's remuneration as disclosed in Note 5 to the financial statements.

31 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.

31 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 2015, the Group and Company entered into Singapore Jet Kerosene fixed swap, Brent option and Crack swap contracts. There were 2,377,903 barrels (2014: 1,957,597 barrels) of Brent and fuel contracts outstanding as at 31 December 2015.

As at 31 December 2015, 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:

	2015		2014	
	+USD5	-USD5	+USD5	-USD5
	RM'000	RM'000	RM'000	RM'000
Impact on post tax profits	2,515	(3,081)	34,129	(34,129)
Impact on other comprehensive income	38,811	(38,811)	-	-

31 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk

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

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.

In 2014, the Group managed its cash flow interest rate risk by entering into a cross currency interest rate swap contracts that effectively converted 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. Effective 2015, the Company no longer hedges its interest expense in this manner.

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 2015, if interest rate on USD denominated borrowings had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the financial year are tabulated below:

	2015		2014	
	+60bps	-60bps	+60bps	-60bps
	RM'000	RM'000	RM'000	RM'000
Impact on post tax profits	(3,497)	3,497	(3,423)	3,423

31 FINANCIAL RISK MANAGEMENT POLICIES (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 (Note 26), mainly to finance the purchase of aircraft and pre-delivery payments in respect of the Group's and Company's firm order of Airbus A330-300 aircraft. 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 2015, if RM had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax profit for the financial year for the Group and Company would have been RM42.6 million (2014: RM83 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 RM5.4 million (2014: Nil) higher/lower due to the cash flow hedging in USD. The exposure to other foreign currency risk of the Group and the Company is not material and hence, sensitivity analysis is not presented.

31 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 2015	USD	AUD	EURO	INR	RMB	JPY	Others
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
Financial assets							
Receivables	91,049	59,736	588	1,529	1,531	3,584	3,004
Amounts due from related parties, an associate, and a joint venture	94,108	773	-	-	1,145	-	-
Deposits, cash and bank balances	92,039	22,846	1,349	1,589	19,949	3,511	14,665
Other deposits *	443,175	-	-	-	-	-	-
	720,371	83,355	1,937	3,118	22,625	7,095	17,669
Financial liabilities							
Trade and other payables	415,258	64,209	9,013	-	27,723	28,536	16,358
Amounts due to related parties	29,484	-	-	-	-	-	-
Borrowings	1,429,038	-	-	-	-	-	-
Derivative financial instruments	115,215	-	-	-	-	-	-
	1,988,995	64,209	9,013	-	27,723	28,536	16,358
Net exposure	(1,268,624)	19,146	(7,076)	3,118	(5,098)	(21,441)	1,311

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

31 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 2014	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets							
Receivables	186,711	17,006	241	1,502	-	-	9,499
Amounts due from related parties, an associate, and a joint venture	26,085	581	-	-	522	-	-
Deposits, cash and bank balances	56,568	16,884	445	-	1,344	3,880	8,750
Other deposits *	109,163	-	-	-	-	-	-
	378,527	34,471	686	1,502	1,866	3,880	18,249
Financial liabilities							
Trade and other payables	431,953	55,344	9,029	-	10,114	18,355	21,286
Amounts due to related parties and an associate	1,475	-	-	-	-	-	-
Borrowings	1,504,279	-	-	-	-	-	-
Derivative financial instruments	102,993	-	-	-	-	-	-
	2,040,700	55,344	9,029	-	10,114	18,355	21,286
Net exposure	(1,662,173)	(20,873)	(8,343)	1,502	(8,248)	(14,475)	(3,037)

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

31 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 2015	USD	AUD	EURO	INR	RMB	JPY	Others
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets							
Receivables	91,049	59,689	588	1,529	1,531	3,584	3,004
Amounts due from related parties, a joint venture and a subsidiary	94,108	-	-	-	1,145	-	-
Deposits, cash and bank balances	92,039	22,338	1,349	1,589	19,949	3,511	14,658
Other deposits *	443,175	-	-	-	-	-	-
	720,371	82,027	1,937	3,118	22,625	7,095	17,662
Financial liabilities							
Trade and other payables	415,258	63,413	9,013	-	27,723	28,536	16,358
Amounts due to related parties and subsidiaries	29,484	1,450	-	-	-	-	813
Borrowings	1,429,038	-	-	-	-	-	-
Derivative financial instruments	115,215	-	-	-	-	-	-
	1,988,995	64,863	9,013	-	27,723	28,536	17,171
Net exposure	(1,268,624)	17,164	(7,076)	3,118	(5,098)	(21,441)	491

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

31 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 2014	USD	AUD	EURO	INR	RMB	JPY	Others
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets							
Receivables	186,711	16,933	241	1,502	-	-	9,499
Amounts due from related parties, a joint venture and a subsidiary	26,085	116	-	-	522	-	-
Deposits, cash and bank balances	56,568	16,459	445	-	1,344	3,880	8,744
Other deposits *	109,163	-	-	-	-	-	-
	378,527	33,508	686	1,502	1,866	3,880	18,243
Financial liabilities							
Trade and other payables	431,953	54,561	9,029	-	10,114	18,355	21,286
Amounts due to related parties, an associate and subsidiaries	1,475	1,132	-	-	-	-	764
Borrowings	1,504,279	-	-	-	-	-	-
Derivative financial instruments	102,993	-	-	-	-	-	-
	2,040,700	55,693	9,029	-	10,114	18,355	22,050
Net exposure	(1,662,173)	(22,185)	(8,343)	1,502	(8,248)	(14,475)	(3,807)

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

31 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.

(c) Liquidity and cash flow risk

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

The Directors are of the view that the Group and the Company will have sufficient cash flows for the next twelve months from the reporting date to meet their cash flow requirements. The Directors believe that the Group and the 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. Thus, the Directors believe no material uncertainty exist that may cast significant doubt on the Group's and Company's ability to continue as a going concern.

In preparing the cash flow forecast for the next twelve months, the Directors have made certain significant assumptions involving regulatory approvals for prospective routes, timing or aircraft deliveries, fares, load factors, fuel price, maintenance costs and currency movements. These assumptions have been built into the forecast based on past performance, adjusted for non-recurring circumstances and a reasonable growth rate. In addition, the Directors have reflected the cash flows arising from the implementation of the following strategies:

(i) Rationalising route frequency to allow capacity introduced in the past two (2) years to mature. In this regard, any excess capacity will be reassessed and redeployed as necessary to new routes.

(ii) As part of this route strategy, the Group is exploring and analysing new routes in order to optimise yields and network.

31 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

In addition, the Directors have reflected the cash flows arising from the implementation of the following strategies: (continued)

(iii) Streamlining the Group's operating expenses, pursuing further unit cost reduction initiatives. The recent fuel price reduction will assist in this initiative.

The Directors are committed to ensuring that the Group and Company will have sufficient funds to enable the Group and Company to meet their liabilities as they fall due and to carry on their business without significant curtailment of operations. This includes raising funds from the market, as evidenced from the successful completion of the renounceable rights issue exercise on 11 June 2015, as disclosed in Note 27 to the financial statements. In addition, the Group and Company have access to undrawn credit facilities amounting to RM100,000,000 as at 31 December 2015.

The table below analyses the Group's and Company'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

	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
At 31 December 2015				
Term loans	236,446	229,627	632,726	337,398
Revolving credit	120,860	-	-	-
Hire purchase	19	19	19	-
Trade and other payables	849,075	-	-	451,547
Amounts due to related parties	45,668	-	-	-
	1,252,068	229,646	632,745	788,945
At 31 December 2014				
Term loans	197,977	192,574	544,588	432,552
Revolving credit	319,627	-	-	-
Commodity structured trade finance	35,079	-	-	-
Hire purchase	19	19	37	-
Trade and other payables	828,802	-	-	-
Amounts due to related parties	23,173	-	-	-
Amount due to an associate	196	-	-	-
	1,404,873	192,593	544,625	432,552

31 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

Company

	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
At 31 December 2015				
Term loans	236,446	229,627	632,726	337,398
Revolving credit	120,860	-	-	-
Hire purchase	19	19	19	-
Trade and other payables	848,279	-	-	451,547
Amounts due to related parties	45,668	-	-	-
Amounts due to subsidiaries	2,263	-	-	-
	1,253,535	229,646	632,745	788,945
At 31 December 2014				
Term loans	197,977	192,574	544,588	432,552
Revolving credit	319,627	-	-	-
Commodity structured trade finance	35,079	-	-	-
Hire purchase	19	19	37	-
Trade and other payables	828,019	-	-	-
Amounts due to related parties	23,173	-	-	-
Amounts due to subsidiaries	1,896	-	-	-
Amount due to an associate	196	-	-	-
	1,405,986	192,593	544,625	432,552

31 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

The table below analyses the Group's and Company's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RM'000	1 – 2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Group and Company				
At 31 December 2015				
Net-settled derivatives				
Trading	5,718	-	-	-
Hedging	108,083	-	-	-
At 31 December 2014				
Net-settled derivatives				
Trading	103,145	-	-	-
Hedging	-	-	-	-

31 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 in order provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the Group and Company's balance sheets) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Group and Company's balance sheets plus net debt.

The Group's and Company's overall strategy remained unchanged from 2014. The gearing ratio as at 31 December 2015 and 2014 were as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Total borrowings (Note 26)	1,429,087	1,579,345	1,429,087	1,579,345
Less: Cash and cash equivalents (Note 23)	(252,347)	(74,937)	(251,832)	(74,506)
Net debt	1,176,740	1,504,408	1,177,255	1,504,839
Total equity attributable to equity holders of the Group and Company	631,807	703,630	648,877	737,862
Total capital	1,808,547	2,208,038	1,826,132	2,242,701
Gearing ratio	65.1%	68.1%	64.5%	67.1%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2015 and 31 December 2014, except that the Group and the Company did not meet certain financial ratio covenants for one borrowing facility totalling RM120 million as at 31 December 2015. The lender has granted indulgences to the Group and the Company from having to comply with the financial covenant ratios for the financial year ended 31 December 2015. As the covenants are enforced annually, the Group monitors compliance with the financial covenant ratios at the end of each financial year. In the event of a breach, the Group will seek indulgences from the respective banks to ensure that the Group and the Company are not in default of any borrowings. The Group's and the Company's overall strategy for capital risk management remains unchanged.

31 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.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group and Company				
31 December 2015				
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	7,585	-	7,585
Derivatives used for hedging	-	107,630	-	107,630
	-	115,215	-	115,215
31 December 2014				
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	102,993	-	102,993
Derivatives used for hedging	-	-	-	-
	-	102,993	-	102,993

31 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 fuel swap contracts. Specific valuation technique used to value financial instruments includes:

- 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.

32 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

Group	Loan and receivables RM'000
31 December 2015	
Assets as per balance sheet	
Trade and other receivables excluding prepayments	191,597
Other deposits excluding prepayments	472,500
Amounts due from related parties	30,103
Amount due from a joint venture	55,570
Amount due from an associate	26,150
Deposits, cash and bank balances	310,789
Total	1,086,709

	Liabilities at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per balance sheet				
Borrowings	-	-	1,429,087	1,429,087
Trade and other payables	-	-	879,912	879,912
Amount due to related parties	-	-	45,668	45,668
Derivative financial instruments	7,585	107,630	-	115,215
Total	7,585	107,630	2,354,667	2,469,882

32 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

Group	Loan and receivables RM'000
31 December 2014	
Assets as per balance sheet	
Trade and other receivables excluding prepayments	232,544
Other deposits excluding prepayments	109,163
Amounts due from related parties	38,769
Amount due from a joint venture	19,499
Amount due from an associate	5,314
Deposits, cash and bank balances	127,198
Total	532,487

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per balance sheet			
Borrowings	-	1,579,345	1,579,345
Trade and other payables	-	828,802	828,802
Amount due to related parties	-	23,173	23,173
Amount due to an associate	-	196	196
Derivative financial instruments	102,993	-	102,993
Total	102,993	2,431,516	2,534,509

32 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

Company	Loan and receivables RM'000
31 December 2015	
Assets as per balance sheet	
Trade and other receivables excluding prepayments	191,590
Other deposits excluding prepayments	472,459
Amount due from related parties	29,330
Amount due from a joint venture	55,570
Amount due from a subsidiary	26,150
Deposits, cash and bank balances	310,274
Total	1,085,373

	Liabilities at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per balance sheet				
Borrowings	-	-	1,429,087	1,429,087
Trade and other payables	-	-	879,116	879,116
Amount due to related parties	-	-	45,668	45,668
Amount due to subsidiaries	-	-	2,263	2,263
Derivative financial instruments	7,585	107,630	-	115,215
Total	7,585	107,630	2,356,134	2,471,349

32 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

Company	Loan and receivables RM'000
31 December 2014	
Assets as per balance sheet	
Trade and other receivables excluding prepayments	232,471
Other deposits excluding prepayments	109,163
Amount due from related parties	38,304
Amount due from a joint venture	19,499
Amount due from a subsidiary	5,314
Deposits, cash and bank balances	126,767
Total	531,518

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per balance sheet			
Borrowings	-	1,579,345	1,579,345
Trade and other payables	-	828,019	828,019
Amount due to a related parties	-	23,173	23,173
Amount due to subsidiaries	-	1,896	1,896
Amount due to an associate	-	196	196
Derivative financial instruments	102,993	-	102,993
Total	102,993	2,432,629	2,535,622

32 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit quality of financial assets

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

	Group and Company	
	2015	2014
	RM'000	RM'000
Counterparties without external credit rating		
Group 1	9,090	12,746
Group 2	73,876	18,307
Total trade receivables that are neither past due nor impaired	82,996	31,053

	Note	Group		Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Deposits, cash and bank balances					
AAA to A-		286,561	127,040	286,046	126,609
BBB to BBB-		23,861	-	23,861	-
		310,422	127,040	309,907	126,609
Cash in hand		367	158	367	158
Total	23	310,789	127,198	310,274	126,767
Amounts due from related parties, a joint venture, a subsidiary and an associate					
Group 1		4,965	759	4,965	759
Group 2		39,587	52,880	38,814	52,799
	22	44,552	53,639	43,779	53,558

32 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit quality of financial assets (continued)

Group 1 – New customers/related parties (Less than 6 months)
Group 2 – Existing customers/related parties (more than 6 months) with no defaults in the past.

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

33 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.

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, 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 2015 and 31 December 2014 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.

33 SEGMENTAL INFORMATION (CONTINUED)

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

2015	North Asia	Australia	West Asia and Middle East	Total
	RM’000	RM’000	RM’000	RM’000
External revenue				
- Scheduled flights	982,539	571,227	128,974	1,682,740
- Charter flights	-	-	421,662	421,662
- Fuel surcharge	42,955	55,144	762	98,861
- Freight and cargo	49,747	29,914	27,847	107,508
- Ancillary revenue	244,771	177,413	54,223	476,407
- Management fees	690	410	261	1,361
- Aircraft operating lease income	162,759	95,526	15,729	274,014
	1,483,461	929,634	649,458	3,062,553
Operating expenses				
- Staff costs	(160,254)	(95,062)	(60,505)	(315,821)
- Aircraft fuel expenses	(518,014)	(307,285)	(195,582)	(1,020,881)
- Maintenance, overhaul and user charges and other related expenses	(452,549)	(268,451)	(170,865)	(891,865)
- Aircraft operating lease expenses	(358,267)	(212,523)	(135,268)	(706,058)
- Other operating costs	(69,742)	(41,371)	(26,332)	(137,445)
- Other income	59,308	35,181	22,392	116,881
Gross (loss)/profit	(16,057)	40,123	83,298	107,364
EBITDAR	342,210	252,646	218,566	813,422
EBITDA	(16,057)	40,123	83,298	107,364
Depreciation of property, plant and equipment	(73,478)	(43,587)	(27,742)	(144,807)
EBIT	(89,535)	(3,464)	55,556	(37,443)
Interest income	10,053	5,963	3,796	19,812
Interest expense and finance charges	(42,690)	(25,323)	(16,118)	(84,131)
Foreign exchange loss	(152,003)	(90,168)	(57,391)	(299,562)
Share of results of a joint venture	(19,062)	(11,307)	(7,197)	(37,566)
Other losses	(3,849)	(2,283)	(1,453)	(7,585)
Loss before tax	(297,086)	(126,582)	(22,807)	(446,475)
Taxation	49,148	29,154	18,556	96,859
Net loss for the financial year	(247,938)	(97,428)	(4,251)	(349,616)

33 SEGMENTAL INFORMATION (CONTINUED)

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

2014	North Asia	Australia	West Asia and Middle East	Total
	RM'000	RM'000	RM'000	RM'000
External revenue				
- Scheduled flights	841,295	520,412	146,758	1,508,465
- Charter flights	9,065	-	284,222	293,287
- Fuel surcharge	145,838	198,075	220	344,133
- Freight and cargo	82,485	27,812	3,581	113,878
- Ancillary revenue	284,994	262,893	38,598	586,485
- Management fees	583	499	61	1,143
- Aircraft operating lease income	45,632	38,965	4,739	89,336
	1,409,892	1,048,656	478,179	2,936,727
Operating expenses				
- Staff costs	(142,217)	(119,190)	(51,611)	(313,018)
- Fuel and oil	(732,340)	(629,728)	(157,856)	(1,519,924)
- Maintenance, overhaul and user charges and other related expenses	(299,329)	(245,183)	(93,655)	(638,167)
- Aircraft operating lease expenses	(140,375)	(115,210)	(82,393)	(337,978)
- Other operating costs	(150,775)	(131,607)	(31,572)	(313,954)
- Other income	105,551	75,806	9,387	190,744
Gross profit/(loss)	50,407	(116,456)	70,479	4,430
EBITDAR	190,782	(1,246)	152,872	342,408
EBITDA	50,407	(116,456)	70,479	4,430
Depreciation of property, plant and equipment	(86,253)	(72,561)	(21,916)	(180,730)
EBIT	(35,846)	(189,017)	48,563	(176,300)
Interest income	3,560	2,422	367	6,349
Interest expense and finance charges	(85,101)	(66,840)	(7,717)	(159,658)
Foreign exchange loss	(70,374)	(59,449)	(7,098)	(136,921)
Share of results of an associate	(10,937)	(7,081)	(1,498)	(19,516)
Share of results of a joint venture	(9,147)	(5,922)	(1,253)	(16,322)
Other losses	(54,897)	(43,117)	(4,979)	(102,993)
(Loss)/profit before tax	(262,742)	(369,004)	26,385	(605,361)
Taxation	44,160	37,304	4,454	85,918
Net (loss)/profit for the financial year	(218,582)	(331,700)	30,839	(519,443)

33 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.

34 UNCONSOLIDATED STRUCTURED ENTITIES

The Company has set up Merah X entities, special purpose companies ("SPC") pursuant to aircraft related borrowings obtained from various financial institutions. Under the arrangement, the Company enters into an Aircraft Instalment Sale Agreement with the SPC, permitting the company to possess and operate each of the Airbus A330-300 aircraft financed under the facility.

The SPC are orphan trust companies in which the Company has no equity interest.

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 SPC do not incur any losses or earn any income during the financial year ended 31 December 2015. The aircraft and the corresponding term loans and finance costs associated with the SPC have been recognised by the Group and Company upon the purchase of the aircraft.

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

35 RECLASSIFICATION OF COMPARATIVES

For the financial year ended 31 December 2015, the presentation of the 'share of results of an associate' and 'share of results of a joint venture' was changed to better reflect the operating performance of the Group and the Company.

Previously, 'share of results of an associate' and 'share of results of a joint venture' was charged/credited in arriving at operating loss of the Group and Company.

Comparatives have been re-presented to align with the current year's presentation.

Company No.

734161	K

AIRASIA X BERHAD
(Incorporated in Malaysia)

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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Total accumulated losses of AirAsia X Berhad and its subsidiaries:				
- Realised	(975,661)	(695,318)	(1,016,048)	(697,530)
- Unrealised	174,216	222,245	174,216	222,245
	(801,445)	(473,073)	(841,832)	(475,285)
Total share of accumulated losses from associated company:				
- Realised	(20,018)	(20,018)	-	-
Total share of accumulated losses from joint venture:				
- Realised	(37,566)	(16,322)	-	-
Total accumulated losses as per consolidated financial statements	(859,029)	(509,413)	(841,832)	(475,285)

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

DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 29 March 2016.

TAN SRI RAFIDAH AZIZ
DIRECTOR

DATUK KAMARUDIN BIN MERANUN
DIRECTOR

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 6 to 101 which comprise the balance sheets as at 31 December 2015 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 35.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgement, 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 Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 16 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 on page 102 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 Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRASIA 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. 2932/06/16(J))
Chartered Accountant

Kuala Lumpur
29 March 2016