

Company No.

284669

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AIRASIA BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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Company No.

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AIRASIA BERHAD
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008**

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AIRASIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their annual report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of providing air transportation services. The principal activities of the subsidiaries are described in Note 12 to the financial statements. There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	<u>Group</u> RM'000	<u>Company</u> RM'000
Net loss for the financial year	<u>(496,563)</u>	<u>(495,352)</u>

DIVIDENDS

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

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2008.

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

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM237,154,058 to RM237,420,958 by way of the issuance of 2,669,000 ordinary shares of RM0.10 each pursuant to the exercise of the Employee Share Option Scheme ("ESOS") at an exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM2,615,620 has been credited to the Share Premium account.

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

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AIRASIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company implemented an ESOS on 1 September 2004. The ESOS is governed by the by-laws which were approved by the shareholders on 7 June 2004 and is effective for a period of 5 years from the date of approval.

Details of the ESOS are set out in Note 29 to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia, the information of which has been separately filed, from having to disclose the list of option holders and their holdings, except for eligible employees (inclusive of Executive Directors) with share options allocation of 350,000 and above. The employees who have been granted options of more than 350,000 shares are Dato' Sri Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun, details of which are disclosed in the section on Directors' Interests in Shares below.

DIRECTORS

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

Dato' Sri Anthony Francis Fernandes
Dato' Kamarudin Bin Meranun
Conor Mc Carthy
Dato' Leong Sonny @ Leong Khee Seong
Fam Lee Ee
Datuk Alias Bin Ali
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar
Dato' Mohamed Khadar Bin Merican
Dato' Pahamin Ab. Rajab

(retired on 3 June 2008)

DIRECTORS' BENEFITS

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

Since the end of the previous financial period, no Director has received or become entitled to receive a benefit (other than the Directors' remuneration disclosed in Note 5 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 23 to the financial statements.

AIRASIA BERHAD
(Incorporated in Malaysia)

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 and options over shares in the Company and its related corporations are as follows:

	Number of ordinary shares of RM0.10 each			
	At 1.1.2008	Acquired	Disposed	At 31.12.2008
<u>The Company</u>				
<u>Direct interests</u>				
Dato' Sri Anthony Francis Fernandes	2,627,010	-	-	2,627,010
Dato' Kamarudin Bin Meranun	1,692,900	-	-	1,692,900
Conor Mc Carthy	28,761,403	-	(1,250,100)	27,511,303**
Dato' Leong Sonny @ Leong Khee Seong	100,000	-	-	100,000
Fam Lee Ee	200,000	-	-	200,000

Indirect interests

Dato' Sri Anthony Francis Fernandes *	729,458,382	-	-	729,458,382
Dato' Kamarudin Bin Meranun *	729,458,382	-	-	729,458,382

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

** 100,000 shares held in personal name and 27,411,303 shares held under HSBC Nominees (Asing) Sdn Bhd

	Number of options over ordinary shares of RM0.10 each			
	At 1.1.2008	Granted	Exercised	At 31.12.2008
<u>The Company</u>				
Dato' Sri Anthony Francis Fernandes	600,000	-	-	600,000
Dato' Kamarudin Bin Meranun	600,000	-	-	600,000

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

AIRASIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets 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.

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.

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AIRASIA BERHAD
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DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

In the opinion of the Directors:

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

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 30 April 2009.



DATO' SRI ANTHONY FRANCIS FERNANDES
DIRECTOR



DATO' KAMARUDIN BIN MERANUN
DIRECTOR

Company No.

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AIRASIA BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

		<u>Group</u>		<u>Company</u>	
		6 months		6 months	
		financial		financial	
		Year ended		Year ended	
		31.12.2008		31.12.2008	
		31.12.2007		31.12.2007	
		RM'000		RM'000	
	Note				
Revenue	4	2,634,688	1,094,377	2,635,977	1,091,346
Operating expenses					
- Staff costs	5	(236,793)	(111,682)	(235,773)	(110,969)
- Depreciation of property, plant and equipment	11	(346,954)	(129,761)	(346,946)	(129,761)
- Aircraft fuel expenses		(1,389,841)	(443,831)	(1,389,841)	(443,831)
- Maintenance, overhaul, user charges and other related expenses		(345,150)	(148,641)	(307,205)	(148,119)
- Loss on unwinding of derivatives		(678,503)	-	(678,503)	-
- Provision for loss on unwinding of derivatives	25	(151,713)	-	(151,713)	-
- Other operating expenses	6	(139,219)	(105,939)	(137,276)	(105,438)
Other income	7	301,827	64,589	260,830	64,551
Operating (loss)/profit		(351,658)	219,112	(350,450)	217,779
Finance income	8	20,990	148,251	20,990	148,251
Finance costs	8	(538,530)	(90,648)	(538,527)	(90,648)
(Loss)/profit before taxation		(869,198)	276,715	(867,987)	275,382
Taxation					
- Current taxation	9	(3,769)	(1,504)	(3,769)	(1,504)
- Deferred taxation	9	376,404	150,489	376,404	150,489
		372,635	148,985	372,635	148,985
Net (loss)/profit for the financial year/period		(496,563)	425,700	(495,352)	424,367
(Loss)/earnings per share (sen)					
- Basic	10	(21.1)	18.1		
- Diluted	10	(21.1)	17.9		

The notes on pages 13 to 68 form part of these financial statements.

AIRASIA BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2008

			Group		Company
	Note	31.12.2008	31.12.2007	31.12.2008	31.12.2007
		RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	6,594,299	4,352,770	6,593,414	4,351,906
Investment in subsidiaries	12	-	-	22,194	22,194
Investment in a jointly controlled entity	13	-	-	-	-
Investment in associates	14	29	29	29	29
Other investments	15	26,715	26,728	26,715	26,728
Goodwill	16	8,738	8,738	-	-
Deferred tax assets	17	856,109	479,705	856,109	479,705
Receivables and prepayments	18	103,341	65,405	103,341	65,405
		<u>7,589,231</u>	<u>4,933,375</u>	<u>7,601,802</u>	<u>4,945,967</u>
CURRENT ASSETS					
Inventories	19	20,684	17,567	20,137	17,019
Other investments	15	-	30,892	-	30,892
Receivables and prepayments	18	694,432	542,729	692,527	540,740
Deposits on aircraft purchase		334,628	318,251	334,628	318,251
Amounts due from subsidiaries	20	-	-	192,614	99,725
Amount due from a jointly controlled entity	21	340,627	74,285	120,181	-
Amounts due from associates	22	387,647	88,168	387,647	88,168
Deposits, cash and bank balances	23	153,762	425,195	154,446	421,090
		<u>1,931,780</u>	<u>1,497,087</u>	<u>1,902,180</u>	<u>1,515,885</u>
LESS: CURRENT LIABILITIES					
Trade and other payables	24	1,060,711	620,881	1,015,718	610,834
Provision for loss on unwinding of derivatives	25	151,713	-	151,713	-
Amounts due to subsidiaries	26	-	-	18,022	11,369
Amount due to a jointly controlled entity	21	-	-	-	21,337
Amounts due to an associate	22	4,359	3,761	4,359	3,761
Amount due to a related company	26	3,634	3,528	3,634	3,528
Hire-purchase payables	27	77	77	77	77
Borrowings (secured)	28	543,985	278,550	543,985	278,550
Current tax liabilities		4,216	5,178	4,216	5,178
		<u>1,768,695</u>	<u>911,975</u>	<u>1,741,724</u>	<u>934,634</u>
NET CURRENT ASSETS		<u>163,085</u>	<u>585,112</u>	<u>160,456</u>	<u>581,251</u>

AIRASIA BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2008 (CONTINUED)

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>31.12.2008</u>	<u>31.12.2007</u>	<u>31.12.2008</u>	<u>31.12.2007</u>
		RM'000	RM'000	RM'000	RM'000
NON-CURRENT LIABILITIES					
Hire-purchase payables	27	72	149	72	149
Borrowings (secured)	28	6,146,708	3,419,121	6,146,708	3,419,121
		<u>6,146,780</u>	<u>3,419,270</u>	<u>6,146,780</u>	<u>3,419,270</u>
		<u>1,605,536</u>	<u>2,099,217</u>	<u>1,615,478</u>	<u>2,107,948</u>
CAPITAL AND RESERVES					
Share capital	29	237,421	237,154	237,421	237,154
Share premium		735,352	732,737	735,352	732,737
Foreign exchange reserve		592	592	-	-
Retained earnings	30	632,171	1,128,734	642,705	1,138,057
Shareholders' equity		<u>1,605,536</u>	<u>2,099,217</u>	<u>1,615,478</u>	<u>2,107,948</u>

The notes on pages 13 to 68 form part of these financial statements.

AIRASIA BERHAD
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**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008**

		Attributable to equity holders of the Company						
		Issued and fully paid ordinary shares of RM0.10 each		Share premium RM'000	Foreign exchange reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interests RM'000
		Number of shares '000	Nominal value RM'000					
Group								
At 1 July 2007		2,360,766	236,077	722,178	592	702,995	1,661,842	39
Net profit for the financial period		-	-	-	-	425,700	425,700	-
Acquisition of additional investment in a subsidiary		-	-	-	-	39	39	(39)
Issuance of ordinary shares - pursuant to the Employee Share Option Scheme (‘ESOS’)	29	10,775	1,077	10,559	-	-	11,636	-
At 31 December 2007		2,371,541	237,154	732,737	592	1,128,734	2,099,217	-
Net loss for the financial year		-	-	-	-	(496,563)	(496,563)	-
Issuance of ordinary shares - pursuant to the Employee Share Option Scheme (‘ESOS’)	29	2,669	267	2,615	-	-	2,882	-
At 31 December 2008		2,374,210	237,421	735,352	592	632,171	1,605,536	-

The notes on pages 13 to 68 form part of these financial statements.

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AIRASIA BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

		Issued and fully paid ordinary shares of RM0.10 each	Non- distributable	Distributable		
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000
<u>Company</u>						
At 1 July 2007		2,360,766	236,077	722,178	713,690	1,671,945
Net profit for the financial period		-	-	-	424,367	424,367
Issuance of shares - pursuant to the Employee Share Option Scheme ('ESOS')	29	10,775	1,077	10,559	-	11,636
At 31 December 2007		2,371,541	237,154	732,737	1,138,057	2,107,948
Net loss for the financial year		-	-	-	(495,352)	(495,352)
Issuance of shares - pursuant to the Employee Share Option Scheme ('ESOS')	29	2,669	267	2,615	-	2,882
At 31 December 2008		2,374,210	237,421	735,352	642,705	1,615,478

The notes on pages 13 to 68 form part of these financial statements.

AIRASIA BERHAD
(Incorporated in Malaysia)

**CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008**

	<u>Group</u>		<u>Company</u>	
	6 months financial		6 months financial	
	Year ended 31.12.2008	period ended 31.12.2007	Year ended 31.12.2008	period ended 31.12.2007
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before taxation	(869,198)	276,715	(867,987)	275,382
Adjustments:				
Property, plant and equipment				
- Depreciation	346,954	129,761	346,946	129,761
- Write off	29	476	37	476
- (Gain)/loss on disposals	(15,554)	5	(15,554)	5
Loss on disposal of other investments	4,217	-	4,217	-
Amortisation of long term prepayments	10,261	4,628	10,261	4,628
Amortisation of other investments	13	6	13	6
Write-off of receivables	737	-	737	-
Reversal of allowance for doubtful debts	-	(2,467)	-	(2,467)
Provision for loss on unwinding of derivatives	151,713	-	151,713	-
Unrealised foreign exchange loss/(gain)	227,994	(108,340)	227,994	(108,340)
Interest expense	297,533	88,292	297,533	88,292
Interest income	(20,990)	(13,820)	(20,990)	(13,820)
	<u>133,709</u>	<u>375,256</u>	<u>134,920</u>	<u>373,923</u>
Changes in working capital:				
Inventories	(3,117)	(8,055)	(3,118)	(8,057)
Receivables and prepayments	(148,520)	(218,409)	(145,076)	(217,343)
Trade and other payables	390,480	140,630	352,006	142,208
Intercompany balances	(565,117)	10,922	(526,529)	9,613
Cash (used in)/generated from operations	<u>(192,565)</u>	<u>300,344</u>	<u>(187,797)</u>	<u>300,344</u>
Interest paid	(239,755)	(57,497)	(239,755)	(57,497)
Interest received	20,990	13,820	20,990	13,820
Tax paid	(4,731)	(901)	(4,731)	(901)
Net cash (used in)/from operating activities	<u>(416,061)</u>	<u>255,766</u>	<u>(411,293)</u>	<u>255,766</u>

AIRASIA BERHAD
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CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	6 months		6 months	
	financial		financial	
	Year ended	period ended	Year ended	period ended
<u>Note</u>	<u>31.12.2008</u>	<u>31.12.2007</u>	<u>31.12.2008</u>	<u>31.12.2007</u>
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Property, plant and equipment				
- Additions	(2,623,001)	(1,532,571)	(2,622,980)	(1,532,571)
- Proceeds from disposals	50,043	1	50,043	1
Deposit on aircraft purchase	-	(955)	-	(955)
Deposit on lease of aircraft	(7,448)	-	(7,448)	-
Long term prepayments	(48,197)	(23,549)	(48,197)	(23,549)
Proceeds from disposal/ (acquisition) of other investments	26,675	(23,423)	26,675	(23,423)
Net cash used in investing activities	<u>(2,601,928)</u>	<u>(1,580,497)</u>	<u>(2,601,907)</u>	<u>(1,580,497)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from allotment of shares	2,882	11,636	2,882	11,636
Hire-purchase instalments paid	(77)	(39)	(77)	(39)
Proceeds from borrowings	3,044,531	1,273,434	3,044,531	1,273,434
Repayment of borrowings	(300,780)	(130,348)	(300,780)	(130,348)
Deposits pledged as securities	2,019	(14,082)	2,019	(14,082)
Net cash from financing activities	<u>2,748,575</u>	<u>1,140,601</u>	<u>2,748,575</u>	<u>1,140,601</u>
NET DECREASE FOR THE FINANCIAL YEAR/PERIOD	(269,414)	(184,130)	(264,625)	(184,130)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD	<u>390,217</u>	<u>574,347</u>	<u>386,112</u>	<u>570,242</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	<u>120,803</u>	<u>390,217</u>	<u>121,487</u>	<u>386,112</u>
23				

The notes on pages 13 to 68 form part of these financial statements.

AIRASIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2008

1 GENERAL INFORMATION

The principal activity of the Company is that of providing air transportation services. The principal activities of the subsidiaries are described in Note 12 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:

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of the financial statements

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

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

AIRASIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(i) Standards and interpretations that are applicable to the Group but not yet effective

The Group has considered all published standards not yet effective.

The new accounting standards that are relevant and mandatory for the Group's financial periods beginning on 1 January 2009 or later periods, but which the Group has not early adopted, are as follows:

- FRS 8 Operating segments
- FRS 139 Financial Instruments: Recognition and Measurement
- FRS 7 Financial Instruments: Disclosures
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretations 10 Interim Financial Reporting and Impairment

The Group will apply these standards when effective. The Group has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standard on the financial statements of the Group and Company.

AIRASIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Standards that are not yet effective and are not relevant to the Group

The new accounting standard which is not yet effective and not relevant to the Group is as follows:

- FRS 4 Insurance Contracts

(b) Group accounting

(i) Subsidiaries

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

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (see Note 2(c) on goodwill).

Minority interests represent that portion of the profit or loss and net assets of subsidiaries attributable to equity interest that are not owned, directly or indirectly through the subsidiaries, by the parent. It is measured at the minorities' share of the fair values of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in subsidiaries' equity since that date. Separate disclosure is made of minority interests.

AIRASIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Group accounting (continued)

(i) Subsidiaries (continued)

Intragroup transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that subsidiary which were previously recognised in equity, and is recognised in the consolidated income statement.

(ii) Jointly controlled entities

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

The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2(b)(iii).

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised within reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in jointly controlled entities equals or exceeds its interest in the jointly controlled entities, including any other long-term unsecured receivables, the Group's interest is reduced to nil and recognition of further loss is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entities.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Group accounting (continued)

(iii) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss (see Note 2(c)).

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised within reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other long-term unsecured receivables, the Group's interest is reduced to nil and recognition of further loss is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries at the date of acquisition.

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

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

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

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. 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:

Aircraft	
- engines	7 or 25 years
- airframe	7 or 25 years
- service potential	7 or 13 years
Aircraft spares	10 years
Aircraft fixtures and fittings	Useful life of aircraft or remaining lease term of aircraft, whichever is shorter
Buildings	
- simulator	28.75 years
- hangar	50 years
Motor vehicles	5 years
Office equipment, furniture and fittings	5 years
Office renovation	5 years
Simulator equipment	25 years
Operating plant and ground equipment	5 years
Kitchen equipment	5 years
In flight equipment	5 years
Training equipment	5 years

Residual values, where applicable, are reviewed annually against prevailing market rates at the balance sheet date for equivalent aged assets and depreciation rates are adjusted accordingly on a prospective basis. For the current financial year ended 31 December 2008, the estimated residual value for aircraft airframes and engines is 10% of their cost.

Assets not yet in operation are stated at cost and are not depreciated until the assets are ready for their intended use.

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(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

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

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit/(loss) from operations.

Advance payments and option payments made in respect of aircraft purchase commitments and options to acquire aircraft where the balance is expected to be funded by mortgage financing are recorded at cost. On acquisition of the related aircraft, these payments are included as part of the cost of aircraft and are depreciated from that date.

(e) Investments

Investments in subsidiaries, jointly controlled entities and associates are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see Note 2(f)).

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made, where in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of assets

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

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

(g) Maintenance and overhaul

Owned aircraft

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

Leased aircraft

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

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(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases

Finance leases

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

Finance leases are capitalised at the estimated present value of the underlying 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 statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Operating leases

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

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

(i) Inventories

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Receivables

Receivables are carried at invoiced amount less an allowance for doubtful debts based on general and specific review of all outstanding amounts at the financial year end. Bad debts are written off during the financial year in which they are identified.

(k) Cash and cash equivalents

For the purpose of the cash flow statements, 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 or less. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

(l) Provisions

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

(m) 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.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(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.

(n) Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. The finance costs, which represent the difference between the net proceeds and the total amount of the payments of these borrowings, are allocated to periods over the term of the borrowings at a constant rate on the carrying amount and are charged to the income statement.

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income taxes

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

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

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

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

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

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

(p) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plan

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

(iii) Share based payments

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

Company No.	
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AIRASIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition

Scheduled passenger flight and chartered flight income are recognised upon the rendering of transportation services and where applicable, are stated net of discounts. The value of seats sold for which services have not been rendered is included in current liabilities as sales in advance.

Revenue includes fuel surcharge, insurance surcharge, administrative fees, excess baggage and baggage handling fees. Cargo, freight and other related revenue are recognised upon the completion of services rendered and where applicable, are stated net of discounts.

Amounts collected on behalf of governments or other regulatory bodies are excluded from revenue.

Interest and rental income are recognised on an accruals basis.

(r) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

AIRASIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Foreign currencies (continued)

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

(s) Contingent liabilities

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

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

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

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

(t) Financial instruments

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Financial instruments recognised on the balance sheet

The particular recognition and measurement method for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy note associated with each item.

AIRASIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial instruments (continued)

(iii) Financial instruments not recognised on the balance sheet

The Group is a party to financial instruments that comprise fuel option contracts, foreign currency forward contracts and interest rate swap contracts.

These instruments are not recognised in the financial statements on inception apart from fuel option contracts whereby cash payments on option premiums are recorded in deposits.

Fuel option contracts

The Group is a party to contracts to protect the Group from volatile movements in fuel prices. Gains and losses arising from fuel option contracts are recognised in the income statement only upon settlement on delivery of fuel or on termination of full option contracts.

Foreign currency forward contracts

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses on such contracts are recognised in the income statement when settled.

Interest rate swap contracts

The Group enters into interest rate swap contracts to protect the Group from unfavourable movement in interest rates via interest differential paid or received on an interest rate swap contract, which is recognised as a component of interest income or expense over the period of the contract. Gains and losses on early termination of interest rate swaps or on repayment of the related borrowings are taken to the income statement.

(iv) Fair value estimation for disclosure purposes

The fair value of publicly traded derivatives and securities is based on quoted market prices at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of foreign exchange forward and fuel option contracts is determined using forward exchange market rates at the balance sheet date.

In assessing the fair value of other derivatives and financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial instruments (continued)

(iv) Fair value estimation for disclosure purposes (continued)

The face values, less any estimated credit adjustments, for non-derivative financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

The Group reviews annually the estimated useful lives and residual values of aircraft 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 in the estimated useful lives and residual values of aircraft frames and engines as disclosed in Note 2(d), would increase the recorded depreciation and decrease the carrying amount of property, plant and equipment.

(ii) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. This involves judgement regarding the future financial performance of the Company.

(iii) Recoverability of intercompany balances

The Group has investments in Thai AirAsia Co. Ltd and PT Indonesia AirAsia, both of which provide air transportation services. As at the balance sheet date, the amounts owing by these related parties amount to RM340.6 million (31.12.2007: RM74.3 million) and RM378.5 million (31.12.2007: RM81.6 million) respectively. No allowances for doubtful debts have been provided for these balances as the Directors are of the view that these related parties would have sufficient future funds to repay these debts, based on the projected cash flows of these entities over the next 5 years.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

4 REVENUE

	<u>Group</u>		<u>Company</u>	
	6 months financial		6 months financial	
	Year ended <u>31.12.2008</u>	period ended <u>31.12.2007</u>	Year ended <u>31.12.2008</u>	period ended <u>31.12.2007</u>
	RM'000	RM'000	RM'000	RM'000
Passenger seat sales	1,594,203	689,689	1,595,492	689,689
Surcharges and fees	810,670	326,154	810,670	326,154
Other revenue	229,815	78,534	229,815	75,503
	<u>2,634,688</u>	<u>1,094,377</u>	<u>2,635,977</u>	<u>1,091,346</u>

Other revenue includes excess baggage, baggage handling fee, freight and cancellation and documentation fees amounting to RM189.0 million (2007: RM58.8 million) for the Group and Company.

5 STAFF COSTS

	<u>Group</u>		<u>Company</u>	
	6 months financial		6 months financial	
	Year ended <u>31.12.2008</u>	period ended <u>31.12.2007</u>	Year ended <u>31.12.2008</u>	period ended <u>31.12.2007</u>
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, bonus and allowances	219,406	102,418	218,494	101,774
Defined contribution retirement plan	17,387	9,264	17,279	9,195
	<u>236,793</u>	<u>111,682</u>	<u>235,773</u>	<u>110,969</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

5 STAFF COSTS (CONTINUED)

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

	<u>Group and Company</u>	
	6 months financial	
	Year ended	period ended
	<u>31.12.2008</u>	<u>31.12.2007</u>
	RM'000	RM'000
<u>Executive Directors</u>		
- basic salaries, bonus and allowances	4,440	2,520
- defined contribution plan	533	317
- other emoluments	-	120
<u>Non-executive Directors</u>		
- fees	983	575
	<u>5,956</u>	<u>3,532</u>

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

	<u>Executive</u>		<u>Non-executive</u>	
	6 months financial		6 months financial	
	Year ended	period ended	Year ended	period ended
	<u>31.12.2008</u>	<u>31.12.2007</u>	<u>31.12.2008</u>	<u>31.12.2007</u>
<u>Range of remuneration</u>				
In bands of RM50,000				
Up to RM50,000	-	-	-	4
RM50,001 to RM100,000	-	-	1	3
RM100,001 to RM150,000	-	-	3	-
RM150,001 to RM200,000	-	-	3	1
RM200,001 to RM250,000	-	-	-	-
RM250,001 to RM300,000	-	-	-	-
RM300,001 to RM350,000	-	-	-	-
RM1,000,000 to RM2,000,000	2	2	-	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

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

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

	Group		Company	
	6 months		6 months	
	financial		financial	
Year ended	period ended	Year ended	period ended	
31.12.2008	31.12.2007	31.12.2008	31.12.2007	
RM'000	RM'000	RM'000	RM'000	
Property, plant and equipment				
- Write off	29	476	37	476
- (Gain)/loss on disposals	(15,554)	5	(15,554)	5
Aircraft operating lease expenses	92,302	51,294	92,302	51,294
Rental of land and building	3,167	1,346	3,142	1,316
Auditors' remuneration	455	220	455	200
Write-off of receivables	737	-	737	-
Reversal of allowance for doubtful debts	-	(2,467)	-	(2,467)
Rental of equipment	530	270	530	269
Amortisation of long term prepayments	10,261	4,628	10,261	4,628
Amortisation of other investments	13	6	13	6
Loss on disposal of other investments	4,217	-	4,217	-
Foreign exchange loss/(gain)				
- Realised	2,314	989	2,314	989
- Unrealised	(21,277)	18,711	(21,277)	18,711

Company No.	
284669	W

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

7 OTHER INCOME

	Group		Company	
	6 months financial		6 months financial	
	Year ended	period ended	Year ended	period ended
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
Aircraft operating lease income	179,285	53,196	179,285	53,196
Others	122,542	11,393	81,545	11,355
	<u>301,827</u>	<u>64,589</u>	<u>260,830</u>	<u>64,551</u>

8 FINANCE INCOME/(COSTS)

	Group		Company	
	6 months financial		6 months financial	
	Year ended	period ended	Year ended	period ended
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
Finance income:				
Foreign exchange gain on borrowings	-	134,431	-	134,431
Interest income				
- deposits with licensed banks	1,687	3,622	1,687	3,622
- short term deposits with fund management companies	5,435	5,235	5,435	5,235
- other interest income	13,868	4,963	13,868	4,963
	<u>20,990</u>	<u>148,251</u>	<u>20,990</u>	<u>148,251</u>
Finance costs:				
Foreign exchange loss on borrowings	(235,016)	-	(235,016)	-
Interest expense				
- bank borrowings	(297,521)	(88,286)	(297,521)	(88,286)
- hire-purchase payables	(12)	(6)	(12)	(6)
Bank facilities and other charges	(5,981)	(2,356)	(5,978)	(2,356)
	<u>(538,530)</u>	<u>(90,648)</u>	<u>(538,527)</u>	<u>(90,648)</u>
Net finance (costs)/income	<u>(517,540)</u>	<u>57,603</u>	<u>(517,537)</u>	<u>57,603</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)
9 TAXATION

	Group		Company	
	6 months financial		6 months financial	
	Year ended	period ended	Year ended	period ended
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
Current taxation:				
- Malaysian tax	2,179	1,504	2,179	1,504
- Foreign tax	1,590	-	1,590	-
Deferred taxation (Note 17)	(376,404)	(150,489)	(376,404)	(150,489)
	<u>(372,635)</u>	<u>(148,985)</u>	<u>(372,635)</u>	<u>(148,985)</u>
Current taxation				
- Current financial year	3,769	1,504	3,769	1,504
Deferred taxation				
- Origination and reversal of temporary differences	(164,179)	23,467	(164,179)	23,467
- Tax incentives	(212,225)	(173,956)	(212,225)	(173,956)
	<u>(372,635)</u>	<u>(148,985)</u>	<u>(372,635)</u>	<u>(148,985)</u>

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

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

	Group		Company	
	6 months financial		6 months financial	
	Year ended	period ended	Year ended	period ended
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit before taxation	<u>(869,198)</u>	<u>276,715</u>	<u>(867,987)</u>	<u>275,382</u>
Tax calculated at Malaysian tax rate of 26% (31.12.2007: 26%)	(225,991)	71,946	(225,677)	71,599
Tax effects of:				
- expenses not deductible for tax purposes	66,973	2,760	66,659	2,760
- income not subject to tax	(2,237)	(50,270)	(2,237)	(49,923)
- temporary differences not recognised within the pioneer period	845	535	845	535
- tax incentives	(212,225)	(173,956)	(212,225)	(173,956)
Taxation	<u>(372,635)</u>	<u>(148,985)</u>	<u>(372,635)</u>	<u>(148,985)</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

10 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

	<u>Group</u>	
	6 months	
	financial	
	Year ended	period ended
	31.12.2008	31.12.2007
(Loss)/profit for the financial year/period (RM'000)	(496,563)	425,700
Weighted average number of ordinary shares in issue ('000)	2,358,313	2,356,186
(Loss)/earnings per share (sen)	(21.1)	18.1

(b) Diluted earnings per share

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

The Group has dilutive potential ordinary shares from share options granted to employees.

In assessing the dilution in (loss)/earnings per share arising from the issue of share options, certain computations are performed to determine the number of shares that could have been acquired at market price. This computation serves to determine the "bonus" element to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net (loss)/profit for the financial year/period in the calculation of the diluted earnings per share from the issue of the share options.

	<u>Group</u>	
	6 months	
	financial	
	Year ended	period ended
	31.12.2008	31.12.2007
(Loss)/profit for the financial year/period (RM'000)	(496,563)	425,700
Weighted average number of ordinary shares in issue ('000)	2,358,313	2,356,186
Adjustment for ESOS ('000)	3,388	19,104
Weighted average number of ordinary shares for diluted earnings per share	2,361,701	2,375,290
Diluted (loss)/earnings per share (sen)	N/A	17.9

As the diluted loss per share computation is anti-dilutive, the diluted loss per share is assumed to be similar to the basic loss per share.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	<u>At</u> <u>1 January 2008</u> RM'000	<u>Additions</u> RM'000	<u>Write off</u> RM'000	<u>Disposals</u> RM'000	<u>Depreciation</u> <u>charge</u> RM'000	<u>At</u> <u>31 December 2008</u> RM'000
<u>Net book value</u>						
Aircraft engines, airframe and service potential	4,153,322	2,527,299	-	(34,489)	(308,870)	6,337,262
Aircraft spares	67,555	45,492	-	-	(12,227)	100,820
Aircraft fixtures and fittings	25,941	21,467	(6)	-	(10,618)	36,784
Buildings	14,386	116	-	-	(520)	13,982
Motor vehicles	6,686	585	(1)	-	(2,076)	5,194
Office equipment, furniture and fittings	10,708	4,233	(19)	-	(4,714)	10,208
Office renovation	3,374	749	-	-	(1,309)	2,814
Simulator equipment	51,504	462	-	-	(2,226)	49,740
Operating plant and ground equipment	9,602	6,432	(3)	-	(4,259)	11,772
Kitchen equipment	202	-	-	-	(8)	194
In flight equipment	-	343	-	-	(35)	308
Training equipment	-	712	-	-	(92)	620
Assets not yet in operation	9,490	15,111	-	-	-	24,601
	<u>4,352,770</u>	<u>2,623,001</u>	<u>(29)</u>	<u>(34,489)</u>	<u>(346,954)</u>	<u>6,594,299</u>

AIRASIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u>	<u>Cost</u> RM'000	<u>Accumulated depreciation</u> RM'000	<u>Net book value</u> RM'000
<u>At 31 December 2008</u>			
Aircraft engines, airframe and service potential	6,933,414	(596,152)	6,337,262
Aircraft spares	134,546	(33,726)	100,820
Aircraft fixtures and fittings	62,312	(25,528)	36,784
Buildings	15,834	(1,852)	13,982
Motor vehicles	11,610	(6,416)	5,194
Office equipment, furniture and fittings	31,389	(21,181)	10,208
Office renovation	7,588	(4,774)	2,814
Simulator equipment	55,762	(6,022)	49,740
Operating plant and ground equipment	21,489	(9,717)	11,772
Kitchen equipment	299	(105)	194
In flight equipment	343	(35)	308
Training equipment	712	(92)	620
Assets not yet in operation	24,601	-	24,601
	<u>7,299,899</u>	<u>(705,600)</u>	<u>6,594,299</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1 July 2007 RM'000	Additions RM'000	Reclassification RM'000	Transfer RM'000	Write off/ disposals RM'000	Depreciation charge RM'000	At 31 December 2007 RM'000
<u>Group</u>							
<u>Net book value</u>							
Aircraft engines, airframe and service potential	2,772,545	1,504,696	-	(9,375)	-	(114,544)	4,153,322
Aircraft spares	62,053	10,025	-	-	-	(4,523)	67,555
Aircraft fixtures and fittings	22,553	7,284	-	-	-	(3,896)	25,941
Buildings	14,645	-	-	-	-	(259)	14,386
Motor vehicles	6,856	896	-	-	(6)	(1,060)	6,686
Office equipment, furniture and fittings	11,448	1,546	-	-	-	(2,286)	10,708
Office renovation	3,612	410	-	-	-	(648)	3,374
Simulator equipment	52,546	65	-	-	-	(1,107)	51,504
Operating plant and ground equipment	9,096	1,264	680	-	-	(1,438)	9,602
Kitchen equipment	202	-	-	-	-	-	202
Assets not yet in operation	4,261	6,385	(680)	-	(476)	-	9,490
	<u>2,959,817</u>	<u>1,532,571</u>	<u>-</u>	<u>(9,375)</u>	<u>(482)</u>	<u>(129,761)</u>	<u>4,352,770</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u>	<u>Cost</u> RM'000	<u>Accumulated depreciation</u> RM'000	<u>Net book value</u> RM'000
<u>At 31 December 2007</u>			
Aircraft engines, airframe and service potential	4,484,483	(331,161)	4,153,322
Aircraft spares	89,053	(21,498)	67,555
Aircraft fixtures and fittings	40,850	(14,909)	25,941
Buildings	15,718	(1,332)	14,386
Motor vehicles	11,881	(5,195)	6,686
Office equipment, furniture and fittings	27,205	(16,497)	10,708
Office renovation	6,839	(3,465)	3,374
Simulator equipment	55,300	(3,796)	51,504
Operating plant and ground equipment	15,094	(5,492)	9,602
Kitchen equipment	299	(97)	202
Assets not yet in operation	9,490	-	9,490
	<u>4,756,212</u>	<u>(403,442)</u>	<u>4,352,770</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Company</u>	<u>At</u>		<u>Disposals</u>	<u>Write off</u>	<u>Depreciation charge</u>	<u>At</u>
	<u>1 January 2008</u>	<u>Additions</u>				<u>31 December 2008</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Net book value</u>						
Aircraft engines, airframe and service potential	4,153,322	2,527,299	(34,489)	-	(308,870)	6,337,262
Aircraft spares	67,555	45,492	-	(6)	(12,227)	100,820
Aircraft fixtures and fittings	25,941	21,467	-	(6)	(10,618)	36,784
Buildings	14,386	116	-	-	(520)	13,982
Motor vehicles	6,081	585	-	(1)	(2,076)	4,589
Office equipment, furniture and fittings	10,651	4,212	-	(27)	(4,714)	10,122
Office renovation	3,374	749	-	-	(1,309)	2,814
Simulator equipment	51,504	462	-	-	(2,226)	49,740
Operating plant and ground equipment	9,602	6,432	-	(3)	(4,259)	11,772
Inflight equipment	-	343	-	-	(35)	308
Training equipment	-	712	-	-	(92)	620
Assets not yet in operation	9,490	15,111	-	-	-	24,601
	<u>4,351,906</u>	<u>2,622,980</u>	<u>(37)</u>	<u>(37)</u>	<u>(346,946)</u>	<u>6,593,414</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Company</u>	<u>Cost</u> RM'000	<u>Accumulated depreciation</u> RM'000	<u>Net book value</u> RM'000
<u>At 31 December 2008</u>			
Aircraft engines, airframe and service potential	6,933,414	(596,152)	6,337,262
Aircraft spares	134,546	(33,726)	100,820
Aircraft fixtures and fittings	62,312	(25,528)	36,784
Buildings	15,834	(1,852)	13,982
Motor vehicles	11,608	(7,019)	4,589
Office equipment, furniture and fittings	31,303	(21,181)	10,122
Office renovation	7,588	(4,774)	2,814
Simulator equipment	55,762	(6,022)	49,740
Operating plant and ground equipment	21,489	(9,717)	11,772
In flight equipment	343	(35)	308
Training equipment	712	(92)	620
Assets not yet in operation	24,601	-	24,601
	<u>7,299,512</u>	<u>(706,098)</u>	<u>6,953,414</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1 July 2007 RM'000	Additions RM'000	Reclassification RM'000	Transfer RM'000	Write off/ disposals RM'000	Depreciation charge RM'000	At 31 December 2007 RM'000
<u>Company</u>							
<u>Net book value</u>							
Aircraft engines, airframe and service potential	2,772,545	1,504,696	-	(9,375)	-	(114,544)	4,153,322
Aircraft spares	62,053	10,025	-	-	-	(4,523)	67,555
Aircraft fixtures and fittings	22,553	7,284	-	-	-	(3,896)	25,941
Buildings	14,645	-	-	-	-	(259)	14,386
Motor vehicles	6,251	896	-	-	(6)	(1,060)	6,081
Office equipment, furniture and fittings	11,391	1,546	-	-	-	(2,286)	10,651
Office renovation	3,612	410	-	-	-	(648)	3,374
Simulator equipment	52,546	65	-	-	-	(1,107)	51,504
Operating plant and ground equipment	9,096	1,264	680	-	-	(1,438)	9,602
Assets not yet in operation	4,261	6,385	(680)	-	(476)	-	9,490
	<u>2,958,953</u>	<u>1,532,571</u>	<u>-</u>	<u>(9,375)</u>	<u>(482)</u>	<u>(129,761)</u>	<u>4,351,906</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Company</u>	<u>Cost</u> RM'000	<u>Accumulated depreciation</u> RM'000	<u>Net book value</u> RM'000
<u>At 31 December 2007</u>			
Aircraft engines, airframe and service potential	4,484,483	(331,161)	4,153,322
Aircraft spares	89,053	(21,498)	67,555
Aircraft fixtures and fittings	40,850	(14,909)	25,941
Buildings	15,718	(1,332)	14,386
Motor vehicles	11,030	(4,949)	6,081
Office equipment, furniture and fittings	27,110	(16,459)	10,651
Office renovation	6,839	(3,465)	3,374
Simulator equipment	55,300	(3,796)	51,504
Operating plant and ground equipment	15,094	(5,492)	9,602
Assets not yet in operation	9,490	-	9,490
	<u>4,754,967</u>	<u>(403,061)</u>	<u>4,351,906</u>

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

	<u>Group and Company</u>	
	<u>31.12.2008</u>	<u>31.12.2007</u>
	RM'000	RM'000
Net book value of owned aircraft sub-leased out	1,392,929	486,788
Aircraft pledged as security for borrowings (Note 28)	6,247,372	3,996,376
Simulator pledged as security for borrowings (Note 28)	45,444	47,312
Motor vehicles on hire-purchase	166	255
	<u>7,685,911</u>	<u>4,530,731</u>

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 financiers during delivery, the legal title will be transferred to the Company only upon settlement of the respective facilities.