AIRASIA X BERHAD
(73416-K)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2018

734161-K

AIRASIA X BERHAD
(Incorporated in Malaysia)

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AIRASIA X BERHAD
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Directors' report

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

Principal activities

The principal activity of the Company is that of providing long haul air transportation services.

The principal activities of the subsidiaries, associate and joint venture are disclosed in Notes 14, 15 and 16 to the financial statements.

Financial results

	Group RM'000	Company RM'000
Loss for the financial year	(301,482)	(302,777)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Issue of shares and debentures

During the financial year, 375 warrants were exercised and converted to 375 ordinary shares at an exercise price of RM0.46 per share. Total issued and paid up share capital at the end of the financial year was RM1,534,043,217 (2017: RM1,534,043,045). These new shares rank pari passu with the existing ordinary shares.

Directors

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Rafidah Aziz
Datuk Kamarudin Bin Meranun
Tan Sri Anthony Francis Fernandes
Dato' Yusli Bin Mohamed Yusoff
Lim Kian Onn
Tan Sri Asmat Bin Kamaludin
Dato' Fam Lee Ee

Directors (cont'd.)

The names of the Directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those Directors listed above) are:

Jean Marc Kin Voon Likamtin
Benyamin Bin Ismail
Natacha Sabrina Kong Hung Cheong
Tommy Lo Seen Chong
Wong Mee Yen

Directors' benefits

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 31 to the financial statements.

Indemnity and insurance for Directors and officers

The Directors and officers of the Company and its subsidiaries are covered under a Directors' and Officers' Liability Insurance up to an aggregate limit of RM50 million against any legal liability, if incurred by the Directors and officers of the Company and its subsidiaries in the discharge of their duties while holding office for the Company and its subsidiaries. The insurance premium paid by the Company was RM180,000.

Directors' remuneration

The Directors' remuneration are disclosed in Note 6 to the financial statements.

Directors' interests

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares in the Company or its related corporations during and at the end of the financial year are as follows:

		Number of ordinary shares		
	1.1.2018	**Acquired**	**Disposed**	**31.12.2018**
The Company				
Datuk Kamarudin Bin Meranun				
Direct interest	337,702,739	33,007,200	-	370,709,939
Indirect interest *	1,135,887,338	174,444,038	-	1,310,331,376
Tan Sri Anthony Francis Fernandes				
Direct interest	87,303,728	24,283,500	-	111,587,228
Indirect interest *	1,135,887,338	174,444,038	-	1,310,331,376
Lim Kian Onn				
Indirect interest **	175,833,356	-	-	175,833,356
Tan Sri Rafidah Aziz				
Direct interest	175,000	-	-	175,000
Indirect interest ***	100,000	-	-	100,000
Tan Sri Asmat Bin Kamaludin				
Direct interest	297,400	-	-	297,400
Indirect interest ****	40,000	-	-	40,000

* Deemed interest by virtue of their shareholding interests in AirAsia Berhad and Tune Group Sdn Bhd pursuant to Section 8A of the Companies Act 2016.

** Pursuant to Section 59(11)(c) of the Companies Act 2016, 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 59(11)(c) of the Companies Act 2016, 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.

**** Pursuant to Section 59(11)(c) of the Companies Act 2016, the interests of spouse and children of Tan Sri Asmat Bin Kamaludin in the shares of the Company shall also be treated as the interest of Tan Sri Asmat Bin Kamaludin.

Directors' interests (cont'd.)

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Employees' share option scheme ("ESOS")

On 11 October 2017, the ESOS had expired and the Board of Directors had resolved that there shall be no further extension and/or renewal on the ESOS.

At an Extraordinary General Meeting held on 12 October 2012, shareholders approved the Senior Executive Option Plan and the General Employee Share Option Plan for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to eligible senior executives and employees respectively.

The committee administering the Employee Share Option Plans comprise Datuk Kamarudin Bin Meranun, Benyamin Bin Ismail and Varun Nhatia.

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 salient features of the ESOS are disclosed in Note 28 of the financial statements.

As at the end of the previous financial year, the number of options outstanding under ESOS was NIL following the expiration as approved by the Board of Directors.

None of the Directors were granted any options as they are not eligible to participate in the ESOS under the By-Law of the Scheme.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

    (i) 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 there were no known bad debts and that adequate allowance had been made for doubtful debts; and

    (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

Other statutory information (cont'd.)

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

   (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in these financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) 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 of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

   (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

   (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

   (i) 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 will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Subsequent events

Details of subsequent events are disclosed in Note 37 to the financial statements.

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Auditors and auditors' remuneration

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 7 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been paid to indemnify Ernst & Young during or since the end of the financial year.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 28 March 2019.

Tan Sri Rafidah Aziz
Director

Datuk Kamarudin Bin Meranun
Director

Kuala Lumpur, Malaysia

AIRASIA X BERHAD
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Statements of profit or loss
For the financial year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	4	**4,571,376**	4,578,674	**4,568,277**	4,576,558
Operating expenses					
- Staff costs	5	**(422,845)**	(421,259)	**(412,383)**	(408,982)
- Depreciation of property, plant and equipment	13	**(127,268)**	(109,338)	**(127,268)**	(109,338)
- Aircraft fuel expenses		**(1,876,060)**	(1,466,681)	**(1,876,060)**	(1,466,681)
- Maintenance and overhaul		**(485,389)**	(652,922)	**(485,389)**	(652,922)
- User charges		**(508,121)**	(508,507)	**(508,121)**	(508,507)
- Aircraft operating lease expenses		**(898,654)**	(944,599)	**(898,654)**	(944,599)
- Other operating expenses	7	**(464,398)**	(413,811)	**(473,727)**	(422,668)
Other income	8	**7,414**	51,015	**7,414**	50,976
Operating (loss)/profit		**(203,945)**	112,572	**(205,911)**	113,837
Finance income	9	**55,773**	33,204	**55,773**	33,204
Finance costs	9	**(70,611)**	(61,224)	**(70,611)**	(61,224)
Net operating (loss)/profit		**(218,783)**	84,552	**(220,749)**	85,817
Net foreign exchange gain	9	**16,011**	106,517	**16,112**	106,504
Share of results of an associate	15	**-**	-	**-**	-
Share of results of a joint venture	16	**-**	-	**-**	-
Other losses	10	**(23,889)**	(4,265)	**(23,889)**	(4,265)
(Loss)/profit before taxation		**(226,661)**	186,804	**(228,526)**	188,056
Taxation					
- Current taxation	11	**(918)**	(6,405)	**172**	(6,125)
- Deferred taxation	11	**(73,903)**	(81,513)	**(74,423)**	(81,680)
		(74,821)	(87,918)	**(74,251)**	(87,805)
(Loss)/profit for the financial year		**(301,482)**	98,886	**(302,777)**	100,251
(Loss)/earnings per share (sen)					
- Basic	12	**(7.3)**	2.4		
- Diluted	12	**(7.3)**	2.4		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AIRASIA X BERHAD
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Statements of comprehensive income
For the financial year ended 31 December 2018

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit for the financial year	**(301,482)**	98,886	**(302,777)**	100,251
Other comprehensive loss				
Items that may be subsequently reclassified to profit or loss				
Cash flow hedges	**(98,374)**	(107,377)	**(98,374)**	(107,377)
Foreign currency translation differences	**(149)**	(17)	-	-
Other comprehensive loss for the financial year, net of tax	**(98,523)**	(107,394)	**(98,374)**	(107,377)
Total comprehensive loss for the financial year	**(400,005)**	(8,508)	**(401,151)**	(7,126)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AIRASIA X BERHAD
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Statements of financial position
As at 31 December 2018

	Note	2018 RM'000	2017 RM'000
Group			
Assets			
Non-current assets			
Property, plant and equipment	13	**624,964**	1,595,903
Investment in an associate	15	-	-
Investment in a joint venture	16	-	-
Deferred tax assets	17	**385,753**	423,664
Trade and other receivables	20	**1,714,195**	1,513,349
Amount due from an associate	21	**67,287**	81,305
Amount due from a joint venture	21	-	44,010
		2,792,199	3,658,231
Current assets			
Inventories	19	**13,257**	8,518
Trade and other receivables	20	**189,837**	537,388
Amount due from an associate	21	-	28,969
Amount due from related parties	21	**48,851**	75,305
Derivative financial assets	18	-	23,094
Tax recoverable		**806**	-
Deposits, cash and bank balances	22	**297,609**	432,675
		550,360	1,105,949
Non-current assets held for sale	23	**999,012**	-
		1,549,372	1,105,949
Total assets		**4,341,571**	4,764,180
Equity and liabilities			
Current liabilities			
Sales in advance		**676,245**	714,586
Derivative financial liabilities	18	**96,811**	-
Trade and other payables	24	**1,102,512**	1,164,130
Provision for taxation		-	782
Amount due to an associate	21	**7,777**	-
Amount due to a joint venture	21	-	122,827
Amount due to related parties	21	**97,381**	28,963
Borrowings	25	**192,324**	188,528
		2,173,050	2,219,816
Net current liabilities		**(623,678)**	(1,113,867)

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Statements of financial position
As at 31 December 2018 (cont'd.)

	Note	2018 RM'000	2017 RM'000
Group (cont'd.)			
Non-current liabilities			
Derivative financial liabilities	18	**33,675**	-
Trade and other payables	24	**52,767**	93,273
Borrowings	25	**494,728**	673,442
Provision for aircraft maintenance	26	**1,013,689**	789,043
		1,594,859	1,555,758
Total liabilities		**3,767,909**	3,775,574
Net assets		**573,662**	988,606
Equity attributable to equity holders of the Company			
Share capital	27	**1,534,043**	1,534,043
Warrant reserve	29	**62,222**	62,222
Other reserves	29	**(99,169)**	(795)
Currency translation reserve		**29**	178
Accumulated losses		**(923,463)**	(607,042)
Total equity		**573,662**	988,606

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AIRASIA X BERHAD
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Statements of financial position
As at 31 December 2018 (cont'd.)

	Note	2018 RM'000	2017 RM'000
Company			
Assets			
Non-current assets			
Property, plant and equipment	13	**624,964**	1,595,903
Investments in subsidiaries	14	*	*
Investment in an associate	15	**20,018**	20,018
Investment in a joint venture	16	-	-
Deferred tax assets	17	**385,108**	423,497
Trade and other receivables	20	**1,714,195**	1,513,020
Amount due from an associate	21	**67,287**	81,305
Amount due from a joint venture	21	-	44,010
		2,811,572	3,677,753
Current assets			
Inventories	19	**13,257**	8,518
Trade and other receivables	20	**189,760**	537,288
Amount due from a subsidiary	21	**33,464**	151,744
Amount due from an associate	21	**15,662**	-
Amount due from related parties	21	**48,851**	75,305
Derivative financial assets	18	-	23,094
Tax recoverable		**1,641**	-
Deposits, cash and bank balances	22	**296,150**	431,556
		598,785	1,227,505
Non-current assets held for sale	23	**999,012**	-
		1,597,797	1,227,505
Total assets		**4,409,369**	4,905,258
Equity and liabilities			
Current liabilities			
Sales in advance		**676,245**	714,586
Derivative financial liabilities	18	**96,811**	-
Trade and other payables	24	**1,099,787**	1,160,773
Provision for taxation		-	557
Amount due to a subsidiary	21	**1,688**	1,747
Amount due to an associate	21	**56,902**	122,775
Amount due to a joint venture	21	-	122,827
Amount due to related parties	21	**99,723**	30,587
Borrowings	25	**192,324**	188,528
		2,223,480	2,342,380
Net current liabilities		**(625,683)**	(1,114,875)

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Statements of financial position
As at 31 December 2018 (cont'd.)

	Note	2018 RM'000	2017 RM'000
Company (cont'd.)			
Non-current liabilities			
Derivative financial liabilities	18	**33,675**	-
Trade and other payables	24	**52,767**	93,273
Borrowings	25	**494,728**	673,442
Provision for aircraft maintenance	26	**1,013,689**	789,043
		1,594,859	1,555,758
Total liabilities		**3,818,339**	3,898,138
Net assets		**591,030**	1,007,120
Equity attributable to equity holders of the Company			
Share capital	27	**1,534,043**	1,534,043
Warrant reserve	29	**62,222**	62,222
Other reserves	29	**(99,169)**	(795)
Accumulated losses		**(906,066)**	(588,350)
Total equity		**591,030**	1,007,120

* Less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AIRASIA X BERHAD
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Consolidated statement of changes in equity
For the financial year ended 31 December 2018

Group	Note	Number of shares '000	Share capital RM'000	Warrant reserve RM'000	Cash flow hedge reserve RM'000	Currency translation reserve RM'000	Accumulated losses RM'000	Total equity RM'000
		Attributable to equity holders of the Company						
At 1 January 2018		4,148,148	1,534,043	62,222	(795)	178	(607,042)	988,606
Effects of adoption of MFRS 9 and MFRS 15	2.27	-	-	-	-	-	(14,939)	(14,939)
At 1 January 2018 (As restated)		4,148,148	1,534,043	62,222	(795)	178	(621,981)	973,667
Net loss for the financial year		-	-	-	-	-	(301,482)	(301,482)
Other comprehensive loss for the financial year		-	-	-	(98,374)	(149)	-	(98,523)
Total comprehensive loss for the financial year		-	-	-	(98,374)	(149)	(301,482)	(400,005)
At 31 December 2018		4,148,148	1,534,043	62,222	(99,169)	29	(923,463)	573,662

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AIRASIA X BERHAD
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Consolidated statement of changes in equity
For the financial year ended 31 December 2018 (cont'd.)

Group	Note	Attributable to equity holders of the Company								
		Number of shares '000	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Cash flow hedge reserve RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2017		4,148,148	622,222	911,821	62,222	106,582	2,558	195	(708,727)	996,873
Transfer to no-par value regime		-	911,821	(911,821)	-	-	-	-	-	-
Profit for the financial year		-	-	-	-	-	-	-	98,886	98,886
Other comprehensive loss for the financial year		-	-	-	-	(107,377)	-	(17)	-	(107,394)
Total comprehensive (loss)/income for the financial year		-	-	-	-	(107,377)	-	(17)	98,886	(8,508)
Employee Share Option Scheme ("ESOS")	28	-	-	-	-	-	241	-	-	241
Transferred to accumulated losses upon expiry of ESOS		-	-	-	-	-	(2,799)	-	2,799	-
At 31 December 2017		4,148,148	1,534,043	-	62,222	(795)	-	178	(607,042)	988,606

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AIRASIA X BERHAD
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Statement of changes in equity
For the financial year ended 31 December 2018

Company	Note	Number of shares '000	Share capital RM'000	Warrant reserve RM'000	Cash flow hedge reserve RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2018		4,148,148	1,534,043	62,222	(795)	(588,350)	1,007,120
Effects of adoption of MFRS 9 and MFRS 15	2.27	-	-	-	-	(14,939)	(14,939)
At 1 January 2018 (As restated)		4,148,148	1,534,043	62,222	(795)	(603,289)	992,181
Loss for the financial year		-	-	-	-	(302,777)	(302,777)
Other comprehensive loss for the financial year		-	-	-	(98,374)	-	(98,374)
Total comprehensive loss for the financial year		-	-	-	(98,374)	(302,777)	(401,151)
At 31 December 2018		4,148,148	1,534,043	62,222	(99,169)	(906,066)	591,030

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AIRASIA X BERHAD
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Statement of changes in equity
For the financial year ended 31 December 2018 (cont'd.)

Company	**Note**	**Number of shares '000**	**Share capital RM'000**	**Share premium RM'000**	**Warrant reserve RM'000**	**Cash flow hedge reserve RM'000**	**Share option reserve RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
At 1 January 2017		4,148,148	622,222	911,821	62,222	106,582	2,558	(691,400)	1,014,005
Transfer to no-par value regime		-	911,821	(911,821)	-	-	-	-	-
Profit for the financial year		-	-	-	-	-	-	100,251	100,251
Other comprehensive loss for the financial year		-	-	-	-	(107,377)	-	-	(107,377)
Total comprehensive (loss)/income for the financial year		-	-	-	-	(107,377)	-	100,251	(7,126)
Employee Share Option Scheme ("ESOS")	28	-	-	-	-	-	241	-	241
Transferred to accumulated losses upon expiry of ESOS		-	-	-	-	-	(2,799)	2,799	-
At 31 December 2017		4,148,148	1,534,043	-	62,222	(795)	-	(588,350)	1,007,120

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AIRASIA X BERHAD
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Statements of cash flows
For the financial year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from operating activities					
(Loss)/profit before taxation		**(226,661)**	186,804	**(228,526)**	188,056
Adjustments for:					
Property, plant and equipment					
- Depreciation	13	**127,268**	109,338	**127,268**	109,338
- Write off	13	**7,844**	431	**7,844**	431
- Loss on disposal	7	**-**	93	**-**	93
Allowance for impairment of trade and other receivables	7	**149,897**	60,049	**149,897**	60,049
Bad debts written off	7	**-**	19	**-**	19
Finance income	9	**(17,961)**	(20,344)	**(17,961)**	(20,344)
Finance costs	9	**31,007**	38,581	**31,007**	38,581
Discounting and accretion of interest on deposits (net)	9	**1,792**	9,783	**1,792**	9,783
Fair value losses on derivative financial instruments	10	**23,889**	4,265	**23,889**	4,265
Share option expense	5	**-**	241	**-**	241
Net unrealised foreign exchange gain	9	**(2,100)**	(73,005)	**(2,201)**	(72,992)
Operating profit before working capital changes		**94,975**	316,255	**93,009**	317,520
Changes in working capital:					
Inventories		**(4,739)**	5,633	**(4,739)**	5,633
Trade and other receivables		**(187,961)**	(492,524)	**(188,313)**	(492,170)
Related parties balances		**77,324**	47,205	**77,982**	48,452
Trade and other payables		**168,598**	427,664	**169,769**	425,485
Sales in advance		**(49,733)**	(11,180)	**(49,733)**	(11,180)
Cash flows generated from operations		**98,464**	293,053	**97,975**	293,740

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Statements of cash flows
For the financial year ended 31 December 2018 (cont'd.)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from operating activities (cont'd.)					
Finance costs paid		**(3,834)**	(2,106)	**(3,834)**	(2,106)
Interest received		**5,263**	4,527	**5,263**	4,527
Tax paid		**(2,027)**	(4,079)	**(2,027)**	(4,286)
Net cash generated from operating activities		**97,866**	291,395	**97,377**	291,875
Cash flows from investing activities					
Additions of property, plant and equipment		**(9,165)**	(26,629)	**(9,165)**	(26,629)
Proceeds from disposal of property, plant and equipment		**-**	4,635	**-**	4,635
Net cash used in investing activities		**(9,165)**	(21,994)	**(9,165)**	(21,994)
Cash flows from financing activities					
Proceeds from borrowings	25	**-**	62	**-**	62
Repayment of borrowings	25	**(187,339)**	(199,876)	**(187,339)**	(199,876)
Interest paid	25	**(28,291)**	(36,476)	**(28,291)**	(36,476)
Deposits pledged as securities		**(3,777)**	(1,613)	**(3,777)**	(1,613)
Net cash used in financing activities		**(219,407)**	(237,903)	**(219,407)**	(237,903)
Net (decrease)/increase in cash and cash equivalents		**(130,706)**	31,498	**(131,195)**	31,978
Currency translation differences		**(8,137)**	(22,457)	**(7,988)**	(22,440)
Cash and cash equivalents at beginning of the financial year		**391,447**	382,406	**390,328**	380,790
Cash and cash equivalents at end of the financial year	22	**252,604**	391,447	**251,145**	390,328

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the financial statements - 31 December 2018

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Wilayah Persekutuan Malaysia. The principal place of business of the Company is located at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA2), 64000 KLIA, Selangor Darul Ehsan.

The principal activity of the Company is that of providing long haul air transportation services. The principal activities of the subsidiary companies are disclosed in Note 14.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 March 2019.

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:

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

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

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

As of 1 January 2018, the Group and the Company adopted new MFRS and amendments to MFRS (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 2.27.

2. Summary of significant accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

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 the 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.

As at 31 December 2018, the Group's and the Company's current liabilities exceeded their current assets by RM623,678,000 (2017: RM1,113,867,000) and RM625,683,000 (2017: RM1,114,875,000) 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 operating profits and cash flows from disposal of certain assets. Thus, the Directors believe that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis.

2.2 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.

2. Summary of significant accounting policies (cont'd.)

2.2 Basis of consolidation (cont'd.)

(i) Subsidiaries (cont'd.)

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.

When a business combination is achieved in stages, the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the profit or loss. Increase in the Group's ownership interest in an existing subsidiary is accounted for as equity transactions, with differences between the fair value of consideration paid and the Group's proportionate share of net assets acquired, recognised directly in equity.

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 9 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 profit or loss.

2. Summary of significant accounting policies (cont'd.)

2.2 Basis of consolidation (cont'd.)

(i) Subsidiaries (cont'd.)

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.

(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 profit or loss, 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.

2. Summary of significant accounting policies (cont'd.)

2.2 Basis of consolidation (cont'd.)

(ii) Associates (cont'd.)

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 profit or loss.

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.

(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.

2. Summary of significant accounting policies (cont'd.)

2.2 Basis of consolidation (cont'd.)

(iii) Joint arrangements (cont'd.)

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.

Where an indication of impairment exists, the carrying value of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note 2.5 on impairment of non-financial assets.

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.

2.3 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 2.14 on borrowing costs).

2. Summary of significant accounting policies (cont'd.)

2.3 Property, plant and equipment (cont'd.)

Where significant parts of an item of property, plant and equipment are required to be replaced at intervals, the Group and the Company 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 Company 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 financial position date.

2. Summary of significant accounting policies (cont'd.)

2.3 Property, plant and equipment (cont'd.)

Residual values, where applicable, are reviewed annually against prevailing market values at the financial position date for equivalent aged assets, and depreciation rates are adjusted accordingly on a prospective basis. For the current financial year ended 31 December 2018, the estimated residual value for aircraft airframes and engines is 10% of their cost (2017: 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.

Pre-delivery payments 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 financial year, the Group and the 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. Refer to accounting policy Note 2.5 on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing net proceeds with carrying amounts and are included in the profit or loss.

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. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

2. Summary of significant accounting policies (cont'd.)

2.3 Property, plant and equipment (cont'd.)

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

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.

2.4 Investments in subsidiaries, associates and joint ventures

In the Group's and the Company's separate financial statements, investments in subsidiaries, associates and joint ventures 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. Refer to Note 2.5 on impairment of non-financial assets.

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

2. Summary of significant accounting policies (cont'd.)

2.5 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 or cash generating units (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.

2.6 Maintenance and overhaul

(i) Owned aircraft

The accounting for the cost of major airframe and certain engine maintenance checks for own aircraft is described in the accounting policy in Note 2.3 for property, plant and equipment.

(ii) Leased aircraft

Where the Group and the 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 profit or loss calculated by reference to the number of flying hours, flying cycles operated during the financial year and calendar months of the components used.

2.7 Leases

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

2. Summary of significant accounting policies (cont'd.)

2.7 Leases (cont'd.)

(i) Finance leases

Leases of property, plant and equipment where the Group and the 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 profit or loss 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 and the Company 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 2.3 above. Where there is no reasonable certainty that the ownership will be transferred to the Group and the Company, the asset is depreciated over the shorter of the lease term and its useful life.

(ii) 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 profit or loss on a straight-line basis over the lease period.

2. Summary of significant accounting policies (cont'd.)

2.7 Leases (cont'd.)

(ii) Operating leases (cont'd.)

Assets leased out by the Group and the Company under operating leases are included in property, plant and equipment in the financial positions. 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.

(iii) 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.

2. Summary of significant accounting policies (cont'd.)

2.8 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.

2.9 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 as financial liabilities in accordance with the accounting policy set out in Note 2.24. The Group and the Company designate 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 the 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 the 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 18. 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.

2. Summary of significant accounting policies (cont'd.)

2.9 Derivative financial instruments and hedging activities (cont'd.)

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 profit or loss.

Amounts accumulated in equity are reclassified to the profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

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 profit or loss.

2.10 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.

2. Summary of significant accounting policies (cont'd.)

2.11 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 or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts which are repayable on demand and form an integral part of the Group's and the Company's cash management are included as a component of cash and cash equivalents in the statement of cash flows. In the financial positions, banks overdrafts are shown within borrowings in current liabilities.

Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

2.12 Provision

Provisions are recognised when the Group and the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Group and the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense in profit or loss.

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed in the notes to consolidated financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable. If it is virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the consolidated financial statements.

2. Summary of significant accounting policies (cont'd.)

2.13 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.

2.14 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.

2. Summary of significant accounting policies (cont'd.)

2.14 Borrowings (cont'd.)

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 profit or loss.

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

2.15 Income taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. Summary of significant accounting policies (cont'd.)

2.15 Income taxes (cont'd.)

(ii) Deferred tax (cont'd.)

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

2. Summary of significant accounting policies (cont'd.)

2.15 Income taxes (cont'd.)

(ii) Deferred tax (cont'd.)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.16 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 of the Company.

(ii) Defined contribution plan

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

2. Summary of significant accounting policies (cont'd.)

2.17 Revenue recognition

(a) Revenue from contracts with customers

The Group and the Company recognise revenue from contracts with customers for the provision of services and sale of goods based on the five-step model as set out below:

(i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group and the Company satisfy a performance obligation.

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

(i) Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date;

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

2. Summary of significant accounting policies (cont'd.)

2.17 Revenue recognition (cont'd.)

(a) Revenue from contracts with customers (cont'd.)

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.

Interest income is recognised using the effective interest method.

(b) Other revenue

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

2.18 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.

2. Summary of significant accounting policies (cont'd.)

2.18 Foreign currencies (cont'd.)

(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) 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:

- assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position;

- income and expenses for each profit or loss 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

- 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 profit or loss as part of the gain or loss on disposal.

2. Summary of significant accounting policies (cont'd.)

2.19 Contingent liabilities

The Group and the 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 of the 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 the 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 the 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.

2.20 Financial assets

(i) Recognition and initial measurement

Financial assets are classified, at initial recognition, as well as subsequent measurement at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, transaction costs, in the case of a financial asset not at fair value through profit or loss.

Prior to 1 January 2018, trade receivables are carried at amortised cost.

2. Summary of significant accounting policies (cont'd.)

2.20 Financial assets (cont'd.)

(i) Recognition and initial measurement (cont'd.)

Trade receivables that do not contain a significant financing component or if the period between performance and payment is 1 year or less under practical expedient of MFRS 15, are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place ("regular way trades") are recognised on the trade date, that is the date that the Group or the Company commits to purchase or sell the asset.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

(a) Financial assets at amortised cost (debt instruments)

(b) Financial assets at fair value through OCI (debt instruments)

(c) Financial assets at fair value through profit or loss

2. Summary of significant accounting policies (cont'd.)

2.20 Financial assets (cont'd.)

(ii) Subsequent measurement (cont'd.)

Financial assets at amortised cost

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

i. The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(iii) Derecognition

A financial asset is derecognised when:

(a) The rights to receive cash flows from the asset have expired, or

(b) The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

   i. The Group and the Company have transferred substantially all the risks and rewards of the asset, or

   ii. The Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

2. Summary of significant accounting policies (cont'd.)

2.20 Financial assets (cont'd.)

(iii) Derecognition (cont'd.)

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company would required to repay.

2.21 Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments carried at amortised cost and fair value through OCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2. Summary of significant accounting policies (cont'd.)

2.21 Impairment of financial assets (cont'd.)

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.22 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the financial position 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.

2.23 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.

2. Summary of significant accounting policies (cont'd.)

2.24 Financial liabilities

(i) Recognition and initial measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables and loans and borrowings.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gain or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

2. Summary of significant accounting policies (cont'd.)

2.24 Financial liabilities (cont'd.)

(ii) Subsequent measurement (cont'd.)

Loans and borrowings

This is the category most relevant to the Group and the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method .

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

2.25 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.

2. Summary of significant accounting policies (cont'd.)

2.26 Warrant reserve

Warrant reserve arising from the issuance of free warrants together with the rights issue, is determined based on the allocation of the proceeds from the rights 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 warrant reserve. Warrant reserve is non-distributable, and is transferred to the share capital account upon the exercise of warrants. Warrant reserve in relation to unexercised warrants at the expiry of the warrants period is transferred to accumulated losses.

2.27 Adoption of new and revised pronouncements

As at 1 January 2018, the Group and the Company have adopted the following pronouncements that are applicable and have been issued by the MASB as listed below:

Effective for annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 15	Revenue from Contracts with Customers: Clarifications
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014-2016 Cycle)
Amendments to MFRS 140	Investment Property: Transfers to Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

The principal changes in accounting policies and their effects are set out below:

(i) MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

2. Summary of significant accounting policies (cont'd.)

2.27 Adoption of new and revised pronouncements (cont'd.)

(i) MFRS 9 Financial Instruments (cont'd.)

The Group and the Company applied MFRS 9 retrospectively, with an initial application date of 1 January 2018. Under the transitional provisions of MFRS 9, the Group and the Company have elected not to restate the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised in opening accumulated losses.

(a) Classification and measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's and the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's and the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely consist of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Group and the Company. The following are the changes in the classification of the Group's and the Company's financial assets:

Trade receivables and other financial assets

Trade receivables and other financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

2. Summary of significant accounting policies (cont'd.)

2.27 Adoption of new and revised pronouncements (cont'd.)

(b) Impairment

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking ECL model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs.

Upon adoption of MFRS 9, the Group and the Company had recognised additional impairment on the Group's and the Company's trade receivables which resulted in an increase in accumulated losses of RM1,072,000 as at 1 January 2018. The impact to the Group's and the Company's impairment allowances is as below:

	Under MFRS 139 balances as at 31.12.2017 RM'000	Adjustments RM'000	Under MFRS 9 balances as at 1.1.2018 RM'000
Trade and other receivables	2,050,737	(1,410)	2,049,327
Deferred tax assets	423,664	338	424,002
Accumulated losses	(607,042)	(1,072)	(608,114)

(ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 131 Revenue – Barter Transactions Involving Advertising Services. MFRS 15 provides a single model of accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The Group and the Company adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date.

2. Summary of significant accounting policies (cont'd.)

2.27 Adoption of new and revised pronouncements (cont'd.)

(ii) MFRS 15 Revenue from Contracts with Customers (cont'd.)

Upon adoption of MFRS 15, the Group and the Company had deferred revenue from processing fees and change fees upon flown dates which were previously accounted for at transaction dates.

Effects arising from the initial application of MFRS 15 are as follows:-

	Under MFRS 118 balances as at 31.12.2017 RM'000	Adjustments RM'000	Under MFRS 15 balances as at 1.1.2018 RM'000
Sales in advance	714,586	18,246	732,832
Deferred tax assets (after MFRS 9 impact)	424,002	4,379	428,381
Accumulated losses (after MFRS 9 impact)	(608,114)	(13,867)	(621,981)

The summary of effects of above adoption of MFRS 15 and 9 in increasing the opening accumulated losses is as follows : -

	RM'000
MFRS 15	(13,867)
MFRS 9	(1,072)
Total	(14,939)

(iii) Amendments to MFRS 128 Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014-2016 Cycle)

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

2. Summary of significant accounting policies (cont'd.)

2.27 Adoption of new and revised pronouncements (cont'd.)

(iii) Amendments to MFRS 128 Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014-2016 Cycle) (cont'd.)

These amendments do not have any impact on the Group's consolidated financial statements.

(iv) IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

2.28 Pronouncements yet in effect

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and/or the Company in these financial statements:

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 3	Business Combinations (Annual Improvements 2015 -2017 Cycle)
Amendments to MFRS 112	Income taxes (Annual Improvements 2015 -2017 Cycle)
Amendments to MFRS 123	Borrowing costs (Annual Improvements 2015 -2017 Cycle)
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 119	Employee Benefits: Plan Amendment, Curtailment or Settlement
IC Interpretation 23	Uncertainty Over Income Tax Treatment

2. Summary of significant accounting policies (cont'd.)

2.28 Pronouncements yet in effect (cont'd.)

Effective for annual periods beginning on or after 1 January 2020

Amendment to MFRS 3	Business Combinations (Definition of Business)
Amendments to MFRS 101	Presentation of Financial Statements (Definition of Material)
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)

Effective for a date yet to be confirmed

Amendments to MFRS 10	Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements are not expected to have any material impacts to the financial statements of the Group and the Company except as mentioned below:

MFRS 16 Leases

MFRS 16 replaces existing leases guidance in MFRS 117 Leases , IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases – Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on financial position lease accounting for lessees. A lessee recognise a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases, leases of low-value items and variable lease payments. Lessor accounting remains similar to the current standard which continues to be classified as finance lease or operating lease.

2. Summary of significant accounting policies (cont'd.)

2.28 Pronouncements yet in effect (cont'd.)

MFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like earning before interest, tax, depreciation and amortization ("EBITDA") will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under MFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

During the financial year ended 31 December 2018, the Group and the Company performed a detailed impact assessment of the aspects of MFRS 16. The assessment is based on present day available information and may subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in the financial year ending 31 December 2019 when the Group and the Company adopt MFRS 16.

3. Critical accounting estimates and judgements

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 the 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 the Company's results and financial position are tested for sensitivity to changes in the underlying parameters.

3. Critical accounting estimates and judgements (cont'd.)

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 and the Company 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 2.3, would increase the recorded depreciation for the financial year ended 31 December 2018 by RM3,626,000 (2017: RM3,346,000) and decrease the carrying amount of property, plant and equipment as at 31 December 2018 by RM26,916,000 (2017: RM23,174,000).

(ii) Deferred tax assets

Deferred tax assets are mainly originating from unutilised tax incentives, unabsorbed capital allowances and tax losses carry forward. 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 temporary differences will be utilised and has recognised the deferred tax assets as at reporting date.

(iii) Provision for aircraft maintenance

The Group and the Company operate aircraft under the operating leases. In respect of these operating lease arrangements, the Group and the Company are contractually obligated to maintain the aircraft during the lease period and to redeliver the aircraft to the lessors at the end of the lease term, in certain pre-agreed conditions.

3. Critical accounting estimates and judgements (cont'd.)

(iii) Provision for aircraft maintenance (cont'd.)

Management estimates the overhaul, restoration and redelivery costs and accrues such costs over the lease term. The calculation of such costs includes management assumptions and estimates in respect of the anticipated rate of aircraft utilisation which includes flying hours and flying cycles and calendar months of the asset as used. These aircraft utilisation and calendar months affect the extent of the restoration work that will be required and the expected costs of such overhaul, restoration and redelivery at the end of the lease term.

4. Revenue

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue from contracts with customers	**4,118,460**	4,125,947	**4,115,361**	4,123,831
Aircraft operating lease income	**452,916**	452,727	**452,916**	452,727
	4,571,376	4,578,674	**4,568,277**	4,576,558
Revenue from contracts with customers				
Type of goods or services				
Scheduled flights	**2,941,796**	2,940,354	**2,941,796**	2,940,354
Charter flights	**136,369**	165,306	**136,369**	165,306
Freight services	**182,997**	171,008	**182,997**	171,008
Ancillary revenue	**854,199**	847,163	**854,199**	847,163
Management fees	**3,099**	2,116	-	-
	4,118,460	4,125,947	**4,115,361**	4,123,831
Timing of revenue recognition				
At a point of time	**4,118,460**	4,125,947	**4,115,361**	4,123,831

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

5. Staff costs

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Wages, salaries, bonuses and allowances	**388,684**	382,623	**378,955**	371,106
Defined contribution retirement plan	**34,161**	38,395	**33,428**	37,635
Share option expense (Note 28)	-	241	-	241
	422,845	421,259	**412,383**	408,982

Included in staff costs of the Group and of the Company were Executive Directors' remuneration amounting to RM2,763,000 (2017: RM2,688,000) as further disclosed in Note 6.

6. Directors' remuneration

The details of remuneration paid to Directors of the Group and Company during the financial years ended 31 December 2018 and 2017, respectively, are as follows:

2018	**Salary and other emoluments RM'000**	**Fees RM'000**	**EPF and Other allowances RM'000**	**Total RM'000**
Executive Directors:				
Datuk Kamarudin Bin Meranun	**1,265**	-	**149**	**1,414**
Tan Sri Anthony Francis Fernandes	**1,200**	-	**149**	**1,349**
	2,465	-	**298**	**2,763**
Non-executive Directors:				
Lim Kian Onn	-	**95**	**10**	**105**
Dato' Fam Lee Ee	-	**125**	**18**	**143**
Tan Sri Rafidah Aziz	-	**255**	**18**	**273**
Tan Sri Asmat Bin Kamaludin	-	**95**	**9**	**104**
Dato' Yusli Bin Mohamed Yusoff	-	**145**	**19**	**164**
	-	**715**	**74**	**789**
Total Executive and Non-executive Directors	**2,465**	**715**	**372**	**3,552**

6. Directors' remuneration (cont'd.)

2017	Salary and other emoluments RM'000	Fees RM'000	EPF and Other allowances RM'000	Total RM'000
Executive Director:				
Datuk Kamarudin Bin Meranun	2,400	-	288	2,688
	2,400	-	288	2,688
Non-executive Directors:				
Tan Sri Anthony Francis Fernandes	-	65	3	68
Lim Kian Onn	-	65	40	105
Dato' Fam Lee Ee	-	65	57	122
Tan Sri Rafidah Aziz	-	165	82	247
Tan Sri Asmat Bin Kamaludin	-	65	40	105
Dato' Yusli Bin Mohamed Yusoff	-	65	79	144
	-	490	301	791
Total Executive and Non-executive Directors	2,400	490	589	3,479

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

	Number of Directors 2018	2017
Executive Directors:		
- Less than RM100,000	-	-
- RM100,001 to RM150,000	-	-
- RM150,001 to RM200,000	-	-
- More than RM200,000	2	1
Non-executive Directors:		
- Less than RM100,000	-	1
- RM100,001 to RM150,000	3	4
- RM150,001 to RM200,000	1	-
- More than RM200,000	1	1

7. Other operating expenses

The following items have been charged in arriving at other operating expenses:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Management fee	-	-	**10,254**	8,799
Rental of land and buildings	**8,132**	8,120	**7,911**	7,835
Auditors' remuneration				
- Statutory audit	**551**	452	**398**	341
- Non-audit fees	**34**	39	**34**	14
Rental of equipment	**78**	320	**78**	320
Advertising expenses	**77,409**	74,400	**77,180**	74,324
Credit card charges	**42,556**	44,465	**42,556**	44,465
In-flight meal expenses	**24,362**	23,631	**24,362**	23,631
Insurance expenses	**15,464**	28,988	**15,462**	28,986
Allowance for impairment of trade and other receivables (Note 20)	**149,897**	60,049	**149,897**	60,049
Property, plant and equipment written off (Note 13)	**7,844**	431	**7,844**	431
Loss on disposal of property, plant and equipment	-	93	-	93
Bad debts written off	-	19	-	19

8. Other income

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Commission income from insurance	**2,856**	3,801	**2,856**	3,801
Others	**4,558**	47,214	**4,558**	47,175
	7,414	51,015	**7,414**	50,976

Other income include gain on disposal of assets previously held for sale of RMNil (2017: RM43.8 million).

9. Finance income/(costs) and net foreign exchange gain

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
a) **Finance income:**				
Interest income from deposits with licensed bank	**5,807**	5,523	**5,807**	5,523
Other interest income	**12,154**	14,821	**12,154**	14,821
	17,961	20,344	**17,961**	20,344
Discounting and accretion of interest on deposits	**37,812**	12,860	**37,812**	12,860
	55,773	33,204	**55,773**	33,204
Finance costs:				
Interest expense on bank borrowings	**(28,291)**	(36,476)	**(28,291)**	(36,476)
Bank facilities and other charges	**(2,716)**	(2,105)	**(2,716)**	(2,105)
	(31,007)	(38,581)	**(31,007)**	(38,581)
Discounting and accretion of interest on deposits	**(39,604)**	(22,643)	**(39,604)**	(22,643)
	(70,611)	(61,224)	**(70,611)**	(61,224)
b) **Net foreign exchange gain:**				
- Realised	**13,911**	33,512	**13,911**	33,512
- Unrealised	**2,100**	73,005	**2,201**	72,992
	16,011	106,517	**16,112**	106,504

10. Other losses

	Group and Company 2018 RM'000	Group and Company 2017 RM'000
Other losses from fuel contracts held for trading	**(23,889)**	(4,265)

11. Taxation

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current taxation:				
Malaysian income tax	**3,151**	4,889	**3,151**	5,042
Foreign tax	**1,090**	280	**-**	-
	4,241	5,169	**3,151**	5,042
(Over)/under provision in respect of prior years	**(3,323)**	1,236	**(3,323)**	1,083
	918	6,405	**(172)**	6,125
Deferred taxation (Note 17):				
Relating to origination and reversal of temporary differences	**85,575**	48,246	**86,095**	48,413
(Over)/under provision in respect of previous year	**(11,672)**	33,267	**(11,672)**	33,267
	73,903	81,513	**74,423**	81,680
Total income tax expense	**74,821**	87,918	**74,251**	87,805

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

Domestic current income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year.

11. Taxation (cont'd.)

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(Loss)/profit before taxation	**(226,661)**	186,804	**(228,526)**	188,056
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	**(54,399)**	44,833	**(54,846)**	45,133
Expenses not deductible for tax purposes	**10,594**	17,290	**10,471**	17,030
Income not subject to tax	**(5,327)**	(8,708)	**(5,327)**	(8,708)
Deferred tax assets not recognised	**138,948**	-	**138,948**	-
(Over)/underprovision of deferred tax in respect of prior years	**(11,672)**	33,267	**(11,672)**	33,267
(Over)/under provision of income tax in respect of prior years	**(3,323)**	1,236	**(3,323)**	1,083
Total income tax expenses	**74,821**	87,918	**74,251**	87,805

12. (Loss)/earnings per share (sen)

(a) Basic (loss)/earnings per share

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

	Group	
	2018	**2017**
(Loss)/profit for the financial year (RM'000)	**(301,482)**	98,886
Weighted average number of ordinary shares in issue ('000)	**4,148,148**	4,148,148
(Loss)/earnings per share (sen)	**(7.3)**	2.4

(b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share of the Group is similar to the basic (loss)/earnings per share as the Group has no dilutive potential ordinary shares as at the end of the reporting date. There has been no other transaction involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

13. Property, plant and equipment

	Aircraft engines, airframes and service potential RM'000	Aircraft spares RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Ramp equipment RM'000	Assets not yet in operation RM'000	Pre-delivery payments RM'000	Total RM'000
Group and Company								
2018								
Net book value								
At 1 January 2018	1,413,376	59,995	580	6,459	5	210	115,278	1,595,903
Additions	156,454	6,217	-	455	(4)	63	-	163,185
Depreciation	(112,190)	(12,466)	(170)	(2,442)	-	-	-	(127,268)
Write off (Note 7)	(4)	(105)	-	-	-	(273)	(7,462)	(7,844)
Reclassification (Note 23)	(998,629)	(383)	-	-	-	-	-	(999,012)
At 31 December 2018	459,007	53,258	410	4,472	1	-	107,816	624,964

13. Property, plant and equipment (cont'd.)

	Aircraft engines, airframes and service potential RM'000	Aircraft spares RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Ramp equipment RM'000	Assets not yet in operation RM'000	Pre-delivery payments RM'000	Total RM'000
Group and Company								
2017								
Net book value								
At 1 January 2017	1,504,031	56,463	944	7,013	42	-	115,278	1,683,771
Additions	3,437	21,028	364	1,586	4	210	-	26,629
Disposals	-	(4,315)	(347)	(32)	(34)	-	-	(4,728)
Depreciation	(93,883)	(12,959)	(381)	(2,108)	(7)	-	-	(109,338)
Write off (Note 7)	(209)	(222)	-	-	-	-	-	(431)
At 31 December 2017	1,413,376	59,995	580	6,459	5	210	115,278	1,595,903

13. Property, plant and equipment (cont'd.)

The reconciliation of the gross carrying amount and the accumulated depreciation and impairment losses at the beginning and end of the financial year is as follows:

	Aircraft engines, airframes and service potential RM'000	Aircraft spares RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Ramp equipment RM'000	Assets not yet in operation RM'000	Pre-delivery payments RM'000	Total RM'000
Group and Company								
2018								
Cost	**670,312**	**143,067**	**3,588**	**16,955**	**1**	**-**	**107,816**	**941,739**
Accumulated depreciation	**(211,305)**	**(79,181)**	**(3,178)**	**(12,073)**	**-**	**-**	**-**	**(305,737)**
Accumulated impairment losses	**-**	**(10,628)**	**-**	**(410)**	**-**	**-**	**-**	**(11,038)**
	459,007	**53,258**	**410**	**4,472**	**1**	**-**	**107,816**	**624,964**
2017								
Cost	2,208,170	153,067	3,589	16,500	5	210	115,278	2,496,819
Accumulated depreciation	(765,747)	(82,444)	(3,009)	(9,631)	-	-	-	(860,831)
Accumulated impairment losses	(29,047)	(10,628)	-	(410)	-	-	-	(40,085)
	1,413,376	59,995	580	6,459	5	210	115,278	1,595,903

13. Property, plant and equipment (cont'd.)

The reclassification amounting to RM999 million is related to asset held for sale (Note 23).

The additions and net book value of assets under hire purchase are as follows:

	Group and Company	
	2018	2017
	RM'000	RM'000
Assets under hire purchase:		
Addition	-	62
Net book value at the end of financial year	**46**	78

Included in property, plant and equipment of the Group and Company are aircraft pledged as security for borrowings (Note 25) with a net book value of RM449 million (2017: RM1,404 million).

The beneficial ownership and operational control of certain aircraft pledged as security for borrowings rests with the Group and the Company when the aircraft is delivered to the Group and the Company. Where the legal title to the aircraft is held by the financiers during delivery, the legal title will be transferred to the Group and the Company only upon settlement of the respective facilities.

Pre-delivery payments on aircraft purchases are denominated in US Dollar which represent initial payment made in respect of the price of the aircraft and are deducted from the final price on delivery.

Pre-delivery payments as at 31 December 2018 are in respect of aircraft purchases which will be delivered from financial year 2019 to 2027.

14. Investments in subsidiaries

	Company	
	2018	2017
	RM'000	RM'000
Unquoted investments, at cost	*	*

* Denotes RM10 (2017: RM21).

14. Investments in subsidiaries (cont'd.)

The details of the subsidiaries are as follows:

Name	Country of incorporation/ Principal place of business	Group's effective equity interest 2018 %	2017 %	Principal activities
AirAsia X Services Pty Ltd*	Australia	**100**	100	Provision of management logistical and marketing services
AAX Capital Ltd*+	Malaysia	**-**	100	Dormant
AAX Leasing I Limited*#	Malaysia	**-**	100	Provision of engine leasing facilities
AAX Mauritius One Limited*	Mauritius	**100**	100	Provision of aircraft leasing facilities
Fly X Limited*	Malaysia	**100**	100	Dormant
AAX Aviation Capital Ltd *(Incorporated on 14 March 2018)*	Malaysia	**100**	-	Holding company
AAX Leasing One Ltd *(Incorporated on 14 March 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities
AAX Leasing Two Ltd *(Incorporated on 24 May 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities
AAX Leasing Three Ltd *(Incorporated on 24 May 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities
AAX Leasing Four Ltd *(Incorporated on 25 October 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities
AAX Leasing Five Ltd *(Incorporated on 25 October 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities

14. Investments in subsidiaries (cont'd.)

Name	Country of incorporation/ Principal place of business	Group's effective equity interest 2018 %	2017 %	Principal activities
AAX Leasing Six Ltd *(Incorporated on 25 October 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities
AAX Leasing Seven Ltd *(Incorporated on 26 October 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities
AAX Leasing Eight Ltd *(Incorporated on 26 October 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities
AAX Leasing Nine Ltd *(Incorporated on 26 October 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities
AAX Leasing Ten Ltd *(Incorporated on 12 December 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities

* Not audited by Ernst & Young.
+ Struck off on 21 February 2018
# Struck off on 16 April 2018.

Subsequent to year end, the Company incorporated AAX Leasing Eleven Ltd on 18 January 2019 for a total consideration of USD1,000 equivalent to RM4,138.

15. Investment in an associate

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 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

15. Investment in an associate (cont'd.)

The details of the associate are as follows:

Name	Country of incorporation	Group's effective equity interest 2018 %	2017 %	Principal activities
Thai AirAsia X Co., Ltd ("TAAX")*	Thailand	**49**	49	Commercial air transport services

* Audited by an affiliate of Ernst & Young Malaysia in Thailand.

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 an operator of commercial air transport services which is based in Thailand. This associated company is a strategic investment of the Company and forms an essential part of the Company's growth strategy. It provides access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region.

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

Summarised statement of financial position

	TAAX 2018 RM'000	2017 RM'000
Current:		
Cash and cash equivalents	**153,837**	193,108
Other current assets	**294,039**	225,775
Total current assets	**447,876**	418,883
Non-current:		
Assets	**165,393**	106,293
Current:		
Financial liabilities	**(83,033)**	(69,605)
Other liabilities	**(507,547)**	(499,960)
Total current liabilities	**(590,580)**	(569,565)
Non-current:		
Other liabilities	**(11,574)**	(9,076)
Net assets/(liabilities)	**11,115**	(53,465)

15. Investment in an associate (cont'd.)

Summarised statement of comprehensive income

	TAAX 2018 RM'000	2017 RM'000
Revenue	**1,523,905**	1,154,285
Cost of sales	**(1,390,683)**	(1,043,393)
Other operating expenses	**(106,712)**	(92,472)
Interest expense	**(1,149)**	(2,538)
Other income	**39,926**	22,987
Profit before tax	**65,287**	38,869
Taxation	**469**	435
Profit after tax	**65,756**	39,304
Other comprehensive income/(loss)	**196**	(41)
Total comprehensive income	**65,952**	39,263
Dividend received from associate	**-**	-

Reconciliation of summarised financial information

	TAAX 2018 RM'000	2017 RM'000
Opening net liabilities at 1 January	**(75,167)**	(92,757)
Total comprehensive income for the financial year	**65,952**	39,263
Effect of foreign exchange translation	**(3,111)**	30
Elimination of unrealised profit from downstream sales	**(20,465)**	(21,703)
Closing net liabilities at 31 December	**(32,791)**	(75,167)
Cumulative unrecognised share in losses as at 1 January	**(61,399)**	(70,018)
Reduction of share of loss for the financial year	**20,764**	8,619
Cumulative unrecognised share in losses as at 31 December	**(40,635)**	(61,399)

16. Investment in a joint venture

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Unquoted investments, at cost	**53,888**	53,888	**53,888**	53,888
Group's share of post-acquisition losses	**(53,888)**	(53,888)	**-**	-
Accumulated impairment losses	**-**	-	**(53,888)**	(53,888)
	-	-	**-**	-

The details of the joint venture are as follows:

Name	Country of incorporation	Group's effective equity interest 2018 %	Group's effective equity interest 2017 %	Principal activities
PT Indonesia AirAsia Extra ("IAAX")*	Indonesia	**49**	49	Commercial air transport services

* Audited by an affiliate of Ernst & Young Malaysia in Indonesia.

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

In previous financial years, impairment losses were recognised due to the continuous losses incurred by the joint venture.

16. Investment in a joint venture (cont'd.)

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

Summarised statement of financial position

	IAAX 2018 RM'000	2017 RM'000
Current:		
Cash and cash equivalents	**1,336**	6,666
Other current assets	**316,869**	315,090
Total current assets	**318,205**	321,756
Non-current:		
Assets	**12,044**	41,779
Current:		
Financial liabilities	**(516,794)**	(373,653)
Other liabilities	**(19,519)**	(93,628)
Total current liabilities	**(536,313)**	(467,281)
Non-current:		
Liabilities	**(5,679)**	(4,128)
Net liabilities	**(211,743)**	(107,874)

Summarised statement of comprehensive income

	IAAX 2018 RM'000	2017 RM'000
Revenue	**265,573**	234,371
Cost of sales	**(322,326)**	(290,296)
Other operating expenses	**(21,402)**	(18,321)
Interest income	**83**	147
Interest expense	**-**	(46)
Other income	**5,708**	19,936
Loss before tax	**(72,364)**	(54,209)
Taxation	**(27,581)**	14,718
Loss after tax	**(99,945)**	(39,491)
Other comprehensive income/(loss)	**939**	(581)
Total comprehensive loss	**(99,006)**	(40,072)
Dividend received from joint venture	**-**	-

16. Investment in a joint venture (cont'd.)

Reconciliation of summarised financial information

	IAAX 2018 RM'000	IAAX 2017 RM'000
Opening net liabilities at 1 January	**(114,846)**	(77,343)
Total comprehensive loss for the financial year	**(99,006)**	(40,072)
Effect of foreign exchange translation	**(3,621)**	9,541
Other adjustments	**(297)**	-
Elimination of unrealised profit from downstream sales	**(6,574)**	(6,972)
Closing net liabilities at 31 December	**(224,344)**	(114,846)
Cumulative unrecognised share in losses as at 1 January	**(77,641)**	(59,265)
Reduction of share of loss for the financial year	**(53,654)**	(18,376)
Cumulative unrecognised share in losses as at 31 December	**(131,295)**	(77,641)

17. Deferred tax assets

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
At 1 January	**423,664**	505,177	**423,497**	505,177
Recognised in profit or loss (Note 11)	**(73,903)**	(81,513)	**(74,423)**	(81,680)
Deferred tax effect on items taken to equity	**36,034**	-	**36,034**	-
Exchange rate differences	**(42)**	-	**-**	-
At 31 December	**385,753**	423,664	**385,108**	423,497
Presented after appropriate offsetting as follows:				
Deferred tax assets	**721,511**	772,486	**720,866**	772,319
Deferred tax liabilities	**(335,758)**	(348,822)	**(335,758)**	(348,822)
	385,753	423,664	**385,108**	423,497

17. Deferred tax assets (cont'd.)

The components and movements of deferred tax assets and liabilities during the financial years prior to offsetting are as follows:

Deferred tax assets of the Group:

	Unutilised tax losses, investment allowances and capital allowances RM'000	Sales in advance RM'000	Derivatives and others RM'000	Total RM'000
At 1 January 2018	**584,045**	**171,501**	**16,940**	**772,486**
Recognised in profit or loss	**(98,432)**	**(4,877)**	**16,342**	**(86,967)**
Recognised directly to equity	**-**	**-**	**36,034**	**36,034**
Exchange rate differences	**-**	**-**	**(42)**	**(42)**
At 31 December 2018	**485,613**	**166,624**	**69,274**	**721,511**
At 1 January 2017	681,207	179,626	18,031	878,864
Recognised in profit or loss	(97,162)	(8,125)	(1,091)	(106,378)
At 31 December 2017	584,045	171,501	16,940	772,486

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000	Derivatives RM'000	Total RM'000
At 1 January 2018	**343,279**	**5,543**	**348,822**
Recognised in profit or loss	**(7,521)**	**(5,543)**	**(13,064)**
At 31 December 2018	**335,758**	**-**	**335,758**
At 1 January 2017	365,110	8,577	373,687
Recognised in profit or loss	(21,831)	(3,034)	(24,865)
At 31 December 2017	343,279	5,543	348,822

17. Deferred tax assets (cont'd.)

The components and movements of deferred tax assets and liabilities during the financial years prior to offsetting are as follows: (cont'd.)

Deferred tax assets of the Company:

	Unutilised tax losses, investment allowances and capital allowances RM'000	Sales in advance RM'000	Derivatives and others RM'000	Total RM'000
At 1 January 2018	**584,045**	**171,501**	**16,773**	**772,319**
Recognised in profit or loss	**(98,432)**	**(4,877)**	**15,822**	**(87,487)**
Recognised directly to equity	**-**	**-**	**36,034**	**36,034**
At 31 December 2018	**485,613**	**166,624**	**68,629**	**720,866**
At 1 January 2017	681,207	179,626	18,031	878,864
Recognised in profit or loss	(97,162)	(8,125)	(1,258)	(106,545)
At 31 December 2017	584,045	171,501	16,773	772,319

Deferred tax liabilities of the Company:

	Property, plant and equipment RM'000	Derivatives RM'000	Total RM'000
At 1 January 2018	**343,279**	**5,543**	**348,822**
Recognised in profit or loss	**(7,521)**	**(5,543)**	**(13,064)**
At 31 December 2018	**335,758**	**-**	**335,758**
At 1 January 2017	365,110	8,577	373,687
Recognised in profit or loss	(21,831)	(3,034)	(24,865)
At 31 December 2017	343,279	5,543	348,822

Deferred tax assets are mainly originating from unutilised tax incentives, unabsorbed capital allowances and tax losses carry forward. As disclosed in Note 3(ii) 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 temporary differences will be utilised and has recognised the deferred tax assets as at reporting date.

17. Deferred tax assets (cont'd.)

Deferred tax assets not recognised in respect of the following items : -

	Group and Company	
	2018	2017
	RM'000	RM'000
Unutilised investment tax allowances and other temporary differences	578,952	-

18. Derivative financial assets and liabilities

	Group and Company			
	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000
Current				
Commodity derivatives				
- held for trading	-	-	23,094	-
- cash flow hedge	-	96,811	-	-
Non-current				
Commodity derivatives				
- held for trading	-	-	-	-
- cash flow hedge	-	33,675	-	-

The full fair value of a hedging derivative is classified as a non-current assets or liabilities if the remaining maturity of the hedged item is more than 12 months and, as a current assets or liabilities, 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. These derivatives are denominated in US Dollar.

Fuel contracts

The outstanding number of barrels of Brent and fuel derivative contracts as at 31 December 2018 is 4,857,328 barrels (2017: 364,862 barrels).

As at 31 December 2018, the Group and the Company had entered into Brent fixed swap contracts which represent an additional 31% (2017: 13%) of the Group's total expected fuel volume for the financial years 2019 to 2021. This is to hedge against the fuel price risk that the Group and the Company is exposed to. Gains and losses recognised in the hedging reserve in equity on Brent and fuel derivative contracts as of 31 December 2018 are recognised in the profit or loss in the period or periods during which the hedged forecast transactions affect the profit or loss.

19. Inventories

	Group and Company 2018 RM'000	Group and Company 2017 RM'000
Consumables and in-flight merchandise	**13,257**	8,518

20. Trade and other receivables

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-current					
Deposits	(c)	**800,767**	555,674	**800,767**	555,674
Prepayments	(d)	**876,537**	925,644	**876,537**	925,315
Deferred lease expenses	(e)	**36,891**	32,031	**36,891**	32,031
		1,714,195	1,513,349	**1,714,195**	1,513,020
Current					
Trade receivables		**66,228**	159,130	**66,228**	159,130
Less: Allowance for impairment of receivables		**(59,324)**	(57,089)	**(59,324)**	(57,089)
Trade receivables, net	(a)	**6,904**	102,041	**6,904**	102,041
Other receivables		**225,797**	331,338	**225,797**	331,338
Less: Allowance for impairment of receivables		**(165,157)**	(17,495)	**(165,157)**	(17,495)
	(b)	**60,640**	313,843	**60,640**	313,843
Deposits	(c)	**26,047**	26,804	**25,992**	26,724
Prepayments	(d)	**90,705**	89,613	**90,683**	89,593
Deferred lease expenses	(e)	**5,541**	5,087	**5,541**	5,087
Other receivables, net		**182,933**	435,347	**182,856**	435,247
		189,837	537,388	**189,760**	537,288
Total trade and other receivables		**1,904,032**	2,050,737	**1,903,955**	2,050,308
Add: Deposits, cash and bank balances (Note 22)		**297,609**	432,675	**296,150**	431,556
Add: Amount due from a subsidiary (Note 21)		**-**	-	**33,464**	151,744
Add: Amount due from an associate (Note 21)		**67,287**	110,274	**82,949**	81,305

20. Trade and other receivables (cont'd.)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Add: Amount due from a joint venture (Note 21)		**-**	44,010	**-**	44,010
Add: Amount due from related parties (Note 21)		**48,851**	75,305	**48,851**	75,305
Less: Prepayments		**(967,242)**	(1,015,257)	**(967,220)**	(1,014,908)
Less: Deferred lease expense		**(42,432)**	(37,118)	**(42,432)**	(37,118)
Total financed assets carried at amortised cost (Note 33 (a))		**1,308,105**	1,660,626	**1,355,717**	1,782,202

The normal credit terms of the Group and of the Company range from 15 to 30 days (2017: 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 RM4,095,000 (2017: Group and Company of RM54,079,000) are substantially from companies with good collection track records.

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

As of 31 December 2018, trade receivables for the Group and Company of RM2,809,000 (2017: RM47,962,000) were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default.

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

	Group and Company 2018 RM'000	Group and Company 2017 RM'000
Less than 30 days	**2,809**	20,561
Between 31 and 60 days	**-**	25,381
Between 61 and 90 days	**-**	223
Between 91 and 120 days	**-**	7
Between 121 and 180 days	**-**	1,121
More than 180 days	**-**	669
	2,809	47,962

20. Trade and other receivables (cont'd.)

(a) Trade receivables (cont'd.)

(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	
	2018	**2017**
	RM'000	**RM'000**
More than 180 days	**59,324**	57,089
Less: Allowance for impairment of receivables	**(59,324)**	(57,089)
	-	-

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 and Company	
	2018	**2017**
	RM'000	**RM'000**
At 1 January	**57,089**	746
Charged to profit or loss (Note 7)	**2,235**	56,343
At 31 December	**59,324**	57,089

(b) Other receivables

Other receivables include lease receivables, refunds of value-added tax receivable from the authorities in various countries in which the Group and the Company 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 RM51,035,000 (2017: RM61,772,000) respectively are substantially with companies with good collection track records.

20. Trade and other receivables (cont'd.)

(b) Other receivables (cont'd.)

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

As at 31 December 2018, other receivables for the Group and Company of RM9,605,000 (2017: RM252,071,000) were past due. These debts relate to a number of external parties where there is no expectation of default.

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

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
Less than 30 days	**4**	8,970
Between 31 and 60 days	**565**	9,232
Between 61 and 90 days	**751**	8,942
Between 91 and 120 days	**-**	23,380
Between 121 and 180 days	**8,285**	24,298
More than 180 days	**-**	177,249
	9,605	252,071

(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	
	2018	**2017**
	RM'000	**RM'000**
More than 180 days	**165,157**	17,495
Less: Allowance for impairment of receivable	**(165,157)**	(17,495)
	-	-

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.

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

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
At 1 January	**17,495**	13,789
Charged to profit or loss (Note 7)	**147,662**	3,706
At 31 December	**165,157**	17,495

20. Trade and other receivables (cont'd.)

(c) Deposits

Deposits of the Group and of the Company at the reporting date are with a number of external parties.

Included in deposits are deposits paid to lessors for leased aircraft and funds placed with lessor in respect of maintenance of the leased aircraft. These deposits are denominated in US Dollar.

(d) Prepayments

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

(e) Deferred lease expenses

Deferred lease expenses represent the differences between fair value of non-current rental deposits recognised at initial recognition and the absolute deposit amount, which are amortised on a straight-line basis over the lease terms ranging from 6 to 12 years (2017: 9 to 12 years).

The movement of deferred lease expense (current and non-current) is as follows:

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
At 1 January	**37,118**	37,135
Unwinding of discount - net	**5,314**	(17)
At 31 December	**42,432**	37,118
Representing:		
Current	**5,541**	5,087
Non-current	**36,891**	32,031
	42,432	37,118

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 the Company do not hold any collateral as security.

20. Trade and other receivables (cont'd.)

The currency profile of trade and other receivables (excluding prepayments and deferred lease expense) are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	**63,194**	36,731	**63,194**	36,731
US Dollar	**815,548**	874,272	**815,548**	874,272
Australian Dollar	**1,214**	18,562	**1,159**	18,482
Euro	**352**	473	**352**	473
Indian Rupee	**4,582**	2,893	**4,582**	2,893
Chinese Renminbi	**1,406**	5,394	**1,406**	5,394
Japanese Yen	**4,371**	8,282	**4,371**	8,282
Others	**3,691**	51,755	**3,691**	51,755
	894,358	998,362	**894,303**	998,282

21. Amount due from/(to) a subsidiary, an associate, a joint venture and related parties

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amount due from				
Non-current				
Amount due from an associate	**67,287**	81,305	**67,287**	81,305
Amount due from a joint venture	**-**	44,010	**-**	44,010
	67,287	125,315	**67,287**	125,315
Current				
Amount due from a subsidiary	**-**	-	**33,464**	151,744
Amount due from an associate	**-**	28,969	**15,662**	-
Amount due from related parties	**48,851**	75,305	**48,851**	75,305
	48,851	104,274	**97,977**	227,049
	116,138	229,589	**165,264**	352,364

21. Amount due from/(to) a subsidiary, an associate, a joint venture and related parties (cont'd.)

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Amount due to				
Current				
Amount due to a subsidiary	-	-	**(1,688)**	(1,747)
Amount due to an associate	**(7,777)**	-	**(56,902)**	(122,775)
Amount due to a joint venture	-	(122,827)	-	(122,827)
Amount due to related parties	**(97,381)**	(28,963)	**(99,723)**	(30,587)
	(105,158)	(151,790)	**(158,313)**	(277,936)

The amount due from a subsidiary, an associate and related parties are unsecured, interest free and repayable on demand.

Included in amount due from an associate and a joint venture at Group of RM67,287,000 (2017: RM110,274,000) and RMNil (2017: RM44,010,000) and at Company of RM82,949,000 (2017: RM81,305,000) and RMNil (2017: RM44,010,000) respectively are unsecured, bearing effective weighted average interest rate at 9.6% and 10.6% per annum respectively and repayable over 6 to 7 years.

The amount due to a subsidiary, an associate, a joint venture and related parties are unsecured, interest free and repayable on demand.

The amount due from/(to) related parties are in respect of trading transactions. The normal credit terms of the Group and the Company range from 30 to 60 days (2017: 30 to 60 days).

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

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Ringgit Malaysia	**385**	42,533	**33,849**	42,533
US Dollar	**96,945**	165,227	**112,607**	288,002
Others	**18,808**	21,829	**18,808**	21,829
	116,138	229,589	**165,264**	352,364

Amount due from a subsidiary, an associate, a joint venture and related parties that are neither past due nor impaired for the Group and the Company amounted to RM111,256,000 and RM155,191,000 (2017: RM215,032,000 and RM193,139,000) respectively.

21. Amount due from/(to) a subsidiary, an associate, a joint venture and related parties (cont'd.)

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Less than 6 months	**4,881**	2,019	**10,072**	68,674
More than 6 months	**1**	12,538	**1**	90,551
	4,882	14,557	**10,073**	159,225

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

The Group and the 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 amount due to a subsidiary, an associate, a joint venture and related parties are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**12,037**	14,158	**17,539**	14,159
US Dollar	**72,780**	135,916	**118,091**	260,438
Australian Dollar	**1,395**	1,716	**3,737**	3,339
Others	**18,946**	-	**18,946**	-
	105,158	151,790	**158,313**	277,936

22. Deposits, cash and bank balances

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	**241,017**	287,875	**239,558**	286,756
Deposits with licensed banks	**56,592**	144,800	**56,592**	144,800
Total deposits, cash and bank balances	**297,609**	432,675	**296,150**	431,556
Less:				
Bank balances pledged as securities	**(29,412)**	(26,887)	**(29,412)**	(26,887)
Deposits pledged as securities	**(15,593)**	(14,341)	**(15,593)**	(14,341)
Cash and cash equivalents	**252,604**	391,447	**251,145**	390,328

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	**110,271**	213,270	**110,271**	213,270
US Dollar	**41,089**	38,058	**41,089**	38,058
Australian Dollar	**83,602**	46,706	**82,143**	45,587
Euro	**673**	803	**673**	803
Indian Rupee	**6,920**	8,026	**6,920**	8,026
Chinese Renminbi	**7,994**	27,188	**7,994**	27,188
Japanese Yen	**12,797**	43,219	**12,797**	43,219
Others	**34,263**	55,405	**34,263**	55,405
	297,609	432,675	**296,150**	431,556

The Group's and the Company's weighted average effective interest rate of deposits at the reporting date is 3.15% (2017: 3.36%) per annum.

The bank balances and deposits with licensed banks of the Group and of the Company amounting to RM29,412,000 and RM15,593,000 (2017: RM26,887,000 and RM14,341,000) respectively are pledged as securities for banking facilities granted to the Group and of the Company.

23. Non-current assets held for sale

	Group and Company 2018 RM'000	2017 RM'000
At net book value:		
Property, plant and equipment	**999,012**	-

The non-current assets held for sale are pledged as security for borrowings (Note 25).

The non-current assets held for sale are for certain aircraft and related equipments for which potential buyers have been identified.

24. Trade and other payables

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current					
Trade payables	(a)	**300,728**	222,506	**300,728**	222,506
Other payables and accruals	(b)	**799,794**	937,815	**797,069**	934,458
Deferred lease income	(c)	**1,990**	3,809	**1,990**	3,809
		1,102,512	1,164,130	**1,099,787**	1,160,773
Non-current					
Other deposits		**43,069**	76,864	**43,069**	76,864
Deferred lease income	(c)	**9,698**	16,409	**9,698**	16,409
		52,767	93,273	**52,767**	93,273
Total trade and other payables		**1,155,279**	1,257,403	**1,152,554**	1,254,046
Add: Borrowings (Note 25)		**687,052**	861,970	**687,052**	861,970
Add: Amount due to a subsidiary (Note 21)		**-**	-	**1,688**	1,747
Add: Amount due to an associate (Note 21)		**7,777**	-	**56,902**	122,775
Add: Amount due to a joint venture (Note 21)		**-**	122,827	**-**	122,827
Add: Amount due to related parties (Note 21)		**97,381**	28,963	**99,723**	30,587
Less: Deferred lease income		**(11,688)**	(20,218)	**(11,688)**	(20,218)
Total financial liabilities carried at amortised cost (Note 33 (a))		**1,935,801**	2,250,945	**1,986,231**	2,373,734

24. Trade and other payables (cont'd.)

(a) Trade payables

The credit term of trade payables granted to the Group and the Company is 7 to 90 days (2017: 7 to 90 days).

(b) Other payables and accruals

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

(c) Deferred lease income

Deferred lease income represent the differences between fair value of non-current rental deposits recognised at initial recognition and the absolute deposit amount, which are amortised on a straight-line basis over the lease terms ranging from 10 to 12 years (2017: 10 to 12 years).

The movement of deferred lease income (current and non-current) are as follows:

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
At 1 January	**20,218**	20,235
Unwinding of discount	**(8,530)**	(17)
At 31 December	**11,688**	20,218
Representing:		
Current	**1,990**	3,809
Non-current	**9,698**	16,409
	11,688	20,218

24. Trade and other payables (cont'd.)

The currency profile of trade and other payables (excluding deferred lease income) are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**684,003**	228,631	**683,843**	228,631
US Dollar	**369,297**	413,476	**369,297**	413,476
Australian Dollar	**29,037**	176,661	**26,472**	173,304
Euro	**3,739**	8,260	**3,739**	8,260
Indian Rupee	**6,688**	682	**6,688**	682
Chinese Renminbi	**16,085**	49,387	**16,085**	49,387
Japanese Yen	**4,629**	176,018	**4,629**	176,018
Others	**30,113**	184,070	**30,113**	184,070
	1,143,591	1,237,185	**1,140,866**	1,233,828

25. Borrowings

	Weighted average rate of finance		Group and Company	
	2018	2017	2018	2017
	%	%	RM'000	RM'000
Current				
Secured:				
- Term loans	**4.13**	3.39	**192,313**	188,501
- Hire purchase	**3.96**	3.80	**11**	27
			192,324	188,528
Non-current				
Secured:				
- Term loans	**4.13**	3.39	**494,694**	673,392
- Hire purchase	**3.96**	3.80	**34**	50
			494,728	673,442
Total borrowings			**687,052**	861,970

Total borrowings consist of the following banking facilities:

	Group and Company	
	2018	2017
	RM'000	RM'000
Fixed rate borrowings	**323,610**	449,853
Floating rate borrowings	**363,442**	412,117
	687,052	861,970

25. Borrowings (cont'd.)

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

	Group and Company	
	2018	2017
	RM'000	RM'000
Not later than 1 year	**192,324**	188,528
Later than 1 year and not later than 5 years	**416,323**	526,744
Later than 5 years	**78,405**	146,698
	687,052	861,970

The currency profile of borrowings are as follows:

	Group and Company	
	2018	2017
	RM'000	RM'000
Ringgit Malaysia	**45**	77
US Dollar	**687,007**	861,893
	687,052	861,970

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

	Group and Company			
	2018		2017	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Term loans	**323,565**	**324,810**	449,776	451,327
Hire purchase	**45**	**44**	77	74
	323,610	**324,854**	449,853	451,401

The fair values of floating rate borrowings approximates their carrying amounts, as the impact of discounting is not significant.

The fair values of the fixed rate borrowings are based on cash flows discounted using borrowing rates that are reflective of the Group's and Company's credit risk at the reporting date, at 3.57% (2017: 2.34%) per annum. The fair values of fixed rate borrowings are within level 2 of the fair value hierarchy (refer Note 32(e)).

25. Borrowings (cont'd.)

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 2.34% to 3.23% (2017: 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.

Reconciliation of movement of liabilities to cash flows arising from financing activities are as follows:

	Group and Company		
	Term loan RM'000	Hire purchase RM'000	Total RM'000
Balance as at 1 January 2018	861,893	77	861,970
Changes from financing cash flows			
Repayment of borrowings	(187,307)	(32)	(187,339)
Interest paid	(28,286)	(5)	(28,291)
Total changes from financing cash flows	646,300	40	646,340
Other changes			
Liability-related			
Finance costs	28,286	5	28,291
Unrealised foreign exchange gains	12,421	-	12,421
Balance as at 31 December 2018	687,007	45	687,052

25. Borrowings (cont'd.)

	Group and Company		
	Term loan RM'000	Hire purchase RM'000	Total RM'000
Balance as at 1 January 2017	1,160,294	32	1,160,326
Changes from financing cash flows			
Proceeds from borrowings	-	62	62
Repayment of borrowings	(199,859)	(17)	(199,876)
Interest paid	(36,476)	-	(36,476)
Total changes from financing cash flows	923,959	77	924,036
Other changes			
Liability-related			
Finance costs	36,476	-	36,476
Unrealised foreign exchange gains	(98,542)	-	(98,542)
Balance as at 31 December 2017	861,893	77	861,970

26. Provision for aircraft maintenance

	Group and Company	
	2018 RM'000	2017 RM'000
Aircraft maintenance provision	**1,013,689**	789,043

The movements in the provision account are as follows:

	Group and Company	
	2018 RM'000	2017 RM'000
At 1 January	**789,043**	591,574
Additions during the year	**235,158**	201,633
Reversal during the year	**(10,512)**	(4,164)
At 31 December	**1,013,689**	789,043

27. Share capital

	Group and Company	
	2018	2017
	RM'000	RM'000
Issued and fully paid up:		
Ordinary shares:		
At beginning of financial year	**1,534,043**	622,222
Transfer to no par value regime	-	911,821
At end of financial year	**1,534,043**	1,534,043

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts outstanding in the share premium account become part of the Group and the Company share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Group and the Company may within 24 months from the commencement of the Act, use the amount outstanding in the share premium account of RM911,821,000 for purposes as set out in Sections 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

28. Employee share option scheme ("ESOS")

On 11 October 2017, the ESOS had expired and the Board of Directors had resolved that there shall be no further extension and/or renewal on the ESOS. Consequently, the share option reserve has been transferred to accumulated losses as the ESOS has lapsed as at year end.

In previous financial years, the Group and 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 Group and 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 and of the Company ("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 percent (10%) of the issued and paid-up share capital of the Group and of the Company at any point in time during the duration of the scheme.

28. Employee share option scheme ("ESOS") (cont'd.)

The main features of the ESOS are as follows (cont'd.):

(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 in tranches of 25% at each anniversary of date of grant.

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

29. Warrant and other reserves

	Group and Company		
	Cash flow hedge reserve RM'000	Share option reserve RM'000	Total RM'000
2018			
At 1 January 2018	**(795)**	**-**	**(795)**
Net change in fair value, net of deferred tax	**(98,374)**	**-**	**(98,374)**
At 31 December 2018	**(99,169)**	**-**	**(99,169)**
2017			
At 1 January 2017	106,582	2,558	109,140
Net change in fair value	(795)	241	(554)
Transferred to profit or loss	(106,582)	-	(106,582)
Transferred to accumulated losses upon expiry of ESOS	-	(2,799)	(2,799)
At 31 December 2017	(795)	-	(795)

29. Warrant and other reserves (cont'd.)

The share option reserve had been transferred to accumulated losses during the previous financial year following the lapsing of the ESOS as disclosed in Note 28.

Warrant reserve

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 financial year ended 31 December 2015. 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. Each warrant is entitled at any time during the exercise period, to subscribe for one new ordinary share at the exercise price of RM0.46.

30. Commitments

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

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
Property, plant and equipment - approved and contracted for:		
- Later than 1 year and not later than 5 years	**72,688,701**	41,382,655
- Later than 5 years	**43,036,513**	66,491,199
	115,725,214	107,873,854

Included in capital commitments as at 31 December 2018 is the purchase of aircraft over the next 9 years.

30. Commitments (cont'd.)

(b) Non-cancellable operating leases

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

	Group and Company			
	2018		2017	
	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000
Not later than 1 year	**987,091**	**291,298**	949,216	285,525
Later than 1 year and not later than 5 years	**4,968,902**	**1,290,295**	3,889,129	1,142,098
Later than 5 years	**708,527**	**174,113**	2,753,187	578,813
	6,664,520	**1,755,706**	7,591,532	2,006,436

The Group and the Company leases various aircraft and engines under non-cancellable operating lease agreements. The lease terms are between 6 to 12 years (2017: 9 to 12 years).

31. 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 Group and Company and their relationships at 31 December 2018 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

31. Significant related party transactions (cont'd.)

Subsidiaries of AirAsia Berhad	
- AirAsia SEA Sdn Bhd (formerly known as AirAsia Global Shared Services Sdn Bhd)	Common Directors and shareholders
- Rokki Sdn Bhd	Common Directors and shareholders
- BIGLIFE Sdn Bhd (formerly known as Big Loyalty Sdn Bhd and Think Big Digital Sdn Bhd)	Common Directors and shareholders
- Big Pay Malaysia Sdn Bhd	Common Directors and shareholders
- Ground Team Red Sdn Bhd	Common Directors and shareholders
- Red Cargo Logistics Sdn Bhd	Common Directors and shareholders
- AirAsia (Guangzhou) Aviation Service Limited	Common Directors and shareholders
- Asian Aviation Centre of Excellence Sdn Bhd	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
- Philippines AirAsia	Common Directors and shareholders
- Philippines AirAsia Inc	Common Directors and shareholders
- AirAsia (India) Pvt Ltd	Common Directors and shareholders
- AAE Travel Pte Ltd	Common Directors and shareholders
Other related entities	
- CaterhamJet Global Ltd	Common Directors and shareholders
- Yummy Kitchen Sdn Bhd	Common Directors and shareholders
- Tune Protect Re Ltd	Common Directors and shareholders
- Tune Insurance Malaysia Berhad	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 the Company. The key management compensation is disclosed in Note 31(g) below.

31. Significant related party transactions (cont'd.)

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
(a) Income:				
Aircraft operating lease income for leased aircraft				
- AAX Mauritius One Limited	-	-	**365,464**	338,853
- PT Indonesia AirAsia Extra	**87,452**	113,874	**87,452**	113,874
- Thai AirAsia X Co., Ltd	**365,464**	338,853	-	-
Sale of ramp equipment to Ground Team Red Sdn Bhd	-	4,630	-	4,630
Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad	**3,234**	2,266	**3,234**	2,266
Provision of lounge services to AirAsia Berhad	**1,788**	2,001	**1,788**	2,001
Provision of carried passenger services to AirAsia Berhad	-	9,021	-	9,021
Management fees charged to PT Indonesia AirAsia	**3,098**	2,117	-	-
Sale of ticket and other ancillary revenue to BIGLIFE Sdn Bhd	**12,675**	973	**12,675**	973
Sale of cargo transportation to Red Cargo Logistics Sdn Bhd	**88,407**	-	**88,407**	-

31. Significant related party transactions (cont'd.)

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
(b) Recharges:				
Recharges of expenses to				
- Philippines AirAsia Inc	**1,530**	1,249	**1,530**	1,249
- Thai AirAsia Co., Ltd	**315**	519	**315**	519
- AirAsia Japan Co., Ltd	**464**	176	**464**	176
- PT Indonesia AirAsia	**29**	19	**29**	19
- Thai AirAsia X Co., Ltd	**27,567**	28,270	**27,567**	28,270
- PT Indonesia AirAsia Extra	**2,991**	8,620	**2,991**	8,620
Recharges of expenses by				
- AirAsia Berhad	**(40,133)**	(41,627)	**(40,133)**	(41,627)
- AirAsia Japan Co., Ltd	**(3,089)**	(121)	**(3,089)**	(121)
- AirAsia (India) Pvt Ltd	**(926)**	(1,276)	**(926)**	(1,276)
- AirAsia SEA Sdn Bhd	**(1,948)**	-	**(1,948)**	-
- Ground Team Red Sdn Bhd	**(530)**	-	**(530)**	-
- AirAsia (Guangzhou) Aviation Service Limited	**199**	-	**199**	-
(c) Other charges:				
Management fees charged by AirAsia X Services Pty Ltd	-	-	**(10,254)**	(9,680)
Brand license fee charged by AirAsia Berhad	**(8,530)**	(8,530)	**(8,530)**	(8,530)
Office rental charged by AirAsia Berhad	**(3,360)**	(2,520)	**(3,360)**	(2,520)
Training services charged by Asian Aviation Centre of Excellence Sdn Bhd	-	(12,851)	-	(12,851)
In-flight entertainment system and software expense charged by Rokki Sdn Bhd	**(3,725)**	(3,906)	**(3,725)**	(3,906)
Charter air travel services charged by CaterhamJet Global Ltd	-	(2,780)	-	(2,780)

31. Significant related party transactions (cont'd.)

(c) Other charges (cont'd.):

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Shared service management fee charged by AirAsia SEA Sdn Bhd	**(3,239)**	(3,345)	**(3,239)**	(3,345)
Provision of food catering services charged by Yummy Kitchen Sdn Bhd	**(1,486)**	(1,047)	**(1,486)**	(1,047)
Ground handling services charged by Ground Team Red Sdn Bhd	**(21,894)**	(5,917)	**(21,894)**	(5,917)
Purchase of loyalty point from BIGLIFE Sdn Bhd	**(6,140)**	(4,193)	**(6,140)**	(4,193)
(d) Premium collected on travel insurance for passengers paid to Tune Insurance Malaysia Berhad	**(12,934)**	(9,064)	**(12,934)**	(9,064)

31. Significant related party transactions (cont'd.)

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
(e) Receivables (Note 21):				
- AAX Mauritius One Limited	-	-	**33,464**	151,744
- Philippines AirAsia (including Philippines AirAsia Inc)	-	10,943	-	10,943
- Thai AirAsia X Co., Ltd	**67,287**	110,274	**82,949**	81,305
- PT Indonesia AirAsia Extra	-	44,010	-	44,010
- AirAsia Berhad	**24,302**	57,183	**24,302**	57,183
- Others	**24,549**	7,179	**24,549**	7,179
	116,138	229,589	**165,264**	352,364
(f) Payables (Note 21):				
- Thai AirAsia X Co., Ltd	**7,777**	-	**56,902**	122,775
- PT Indonesia AirAsia Extra	-	122,827	-	122,827
- Philippines AirAsia (including Philippines AirAsia Inc)	**19,806**	-	**19,806**	-
- Rokki Sdn Bhd	**1,670**	1,373	**1,670**	1,373
- Tune Insurance Malaysia Berhad	**2,233**	5,130	**2,233**	5,130
- PT Indonesia AirAsia	**18,862**	6,960	**21,203**	8,584
- Thai AirAsia Co., Ltd	**26,422**	2,338	**26,422**	2,338
- AirAsia X Services Pty Ltd	-	-	**1,688**	1,747
- CaterhamJet Global Ltd	-	708	-	708
- Others	**28,388**	12,454	**28,389**	12,454
	105,158	151,790	**158,313**	277,936
(g) Key management personnel compensation:				
- Basic salaries, bonus and allowances	**8,857**	9,806	**8,857**	9,806
- Defined contribution plan	**852**	1,176	**852**	1,176
	9,709	10,982	**9,709**	10,982

Included in the key management compensation is Executive Director's as disclosed in Note 6 and some key management personnel remuneration.

32. Financial risk management policies

The Group's and the Company's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's and the 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 the 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 the Company's activities.

The Group and the Company also seek to ensure that the financial resources that are available for the development of the Group's and the 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.

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 the Company are exposed to jet fuel price risk arising from the fluctuations in the prices of jet fuel. The Group and the 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 the Company upon consumption of the fuel, within "Aircraft fuel expenses" in Operating Expenses.

During the financial year ended 31 December 2018, the Group and the Company entered into Brent fixed swap contracts. There were 4,857,328 barrels (2017:364,862 barrels) (Note 18) of Brent and fuel contracts outstanding as at 31 December 2018.

32. Financial risk management policies (cont'd.)

(a) Market risk (cont'd.)

(i) Fuel price risk (cont'd.)

As at 31 December 2018, if USD denominated barrel had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit/(loss) and equity for the year end equity are tabulated below:

	2018		2017	
	+USD5 RM'000	-USD5 RM'000	+USD5 RM'000	-USD5 RM'000
Impact on post tax profit/ (loss)	-	-	7,163	(7,163)
Impact on other comprehensive income/(loss)	102,501	(102,501)	-	-

(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 the 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 the 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 the Company's floating rate borrowings and deposits. Surplus funds are placed with reputable financial institutions at the most favourable interest rate.

At 31 December 2018, 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 (loss)/profit for the financial year are tabulated below:

	2018		2017	
	+60bps RM'000	-60bps RM'000	+60bps RM'000	-60bps RM'000
Impact on post tax (loss)/ profits	(2,124)	2,124	(2,618)	2,618

32. Financial risk management policies (cont'd.)

(a) Market risk (cont'd.)

(iii) Foreign currency risk

Apart from Ringgit Malaysia ("RM"), the Group and the 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 the Company have significant borrowings in USD (Note 25), mainly to finance the purchase of aircraft and pre-delivery payments in respect of the Group's and the Company's firm order of Airbus A330-300 aircraft. Therefore, the Group and the 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 2018, if RM had weakened/strengthened by 5% against the USD with all other variables held constant, the impact on the post-tax (loss)/profit for the financial year are tabulated below:

	2018		2017	
	+5%	-5%	+5%	-5%
	RM'000	RM'000	RM'000	RM'000
Impact on post tax (loss)/ profits	(15,299)	15,299	(15,532)	15,532

The exposure to other foreign currency risk of the Group and the Company is not material and hence, sensitivity analysis is not presented.

32. Financial risk management policies (cont'd.)

(a) Market risk (cont'd.)

(iii) Foreign currency risk (cont'd.)

The Group's currency exposure is as follows:

At 31 December 2018	Note	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets								
Trade and other receivables	20	815,548	1,214	352	4,582	1,406	4,371	3,691
Amount due from an associate and related parties	21	96,945	-	-	-	-	-	18,808
Deposits, cash and bank balances	22	41,089	83,602	673	6,920	7,994	12,797	34,263
		953,582	84,816	1,025	11,502	9,400	17,168	56,762
Financial liabilities								
Trade and other payables	24	369,297	29,037	3,739	6,688	16,085	4,629	30,113
Amount due to an associate, a joint venture and related parties	21	72,780	1,395	-	-	-	-	18,946
Borrowings	25	687,007	-	-	-	-	-	-
Derivative financial libialities	18	130,486	-	-	-	-	-	-
		1,259,570	30,432	3,739	6,688	16,085	4,629	49,059
Net exposure		(305,988)	54,384	(2,714)	4,814	(6,685)	12,539	7,703

32. Financial risk management policies (cont'd.)

(a) Market risk (cont'd.)

(iii) Foreign currency risk (cont'd.)

The Group's currency exposure is as follows:

At 31 December 2017	Note	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets								
Trade and other receivables	20	874,272	18,562	473	2,893	5,394	8,282	51,755
Amount due from an associate, a joint venture and related parties	21	165,227	-	-	-	-	-	21,829
Deposits, cash and bank balances	22	38,058	46,706	803	8,026	27,188	43,219	55,405
Derivative financial assets	18	23,094	-	-	-	-	-	-
		1,100,651	65,268	1,276	10,919	32,582	51,501	128,989
Financial liabilities								
Trade and other payables	24	413,476	176,661	8,260	682	49,387	176,018	184,070
Amount due to a joint venture and related parties	21	135,916	1,716	-	-	-	-	-
Borrowings	25	861,893	-	-	-	-	-	-
		1,411,285	178,377	8,260	682	49,387	176,018	184,070
Net exposure		(310,634)	(113,109)	(6,984)	10,237	(16,805)	(124,517)	(55,081)

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32. Financial risk management policies (cont'd.)

(a) Market risk (cont'd.)

(iii) Foreign currency risk (cont'd.)

The Company's currency exposure is as follows:

At 31 December 2018	Note	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets								
Trade and other receivables	20	815,548	1,159	352	4,582	1,406	4,371	3,691
Amount due from a subsidiary, an associate, and related parties	21	112,607	-	-	-	-	-	18,808
Deposits, cash and bank balances	22	41,089	82,143	673	6,920	7,994	12,797	34,263
		969,244	83,302	1,025	11,502	9,400	17,168	56,762
Financial liabilities								
Trade and other payables	24	369,297	26,472	3,739	6,688	16,085	4,629	30,113
Amount due to a subsidiary, an associate and related parties	21	118,091	3,737	-	-	-	-	18,946
Borrowings	25	687,007	-	-	-	-	-	-
Derivative financial liabilities	18	130,486	-	-	-	-	-	-
		1,304,881	30,209	3,739	6,688	16,085	4,629	49,059
Net exposure		(335,637)	53,093	(2,714)	4,814	(6,685)	12,539	7,703

32. Financial risk management policies (cont'd.)

(a) Market risk (cont'd.)

(iii) Foreign currency risk (cont'd.)

The Company's currency exposure is as follows:

At 31 December 2017	Note	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets								
Trade and other receivables	20	874,272	18,482	473	2,893	5,394	8,282	51,755
Amount due from a subsidiary, an associate, a joint venture and related parties	21	288,002	-	-	-	-	-	21,829
Deposits, cash and bank balances	22	38,058	45,587	803	8,026	27,188	43,219	55,405
Derivative financial assets	18	23,094	-	-	-	-	-	-
		1,223,426	64,069	1,276	10,919	32,582	51,501	128,989
Financial liabilities								
Trade and other payables	24	413,476	173,304	8,260	682	49,387	176,018	184,070
Amount due to a subsidiary, an associate, a joint venture and related parties	21	260,438	3,339	-	-	-	-	-
Borrowings	25	861,893	-	-	-	-	-	-
		1,535,807	176,643	8,260	682	49,387	176,018	184,070
Net exposure		(312,381)	(112,574)	(6,984)	10,237	(16,805)	(124,517)	(55,081)

32. Financial risk management policies (cont'd.)

(b) Credit risk

Credit risk is the risk of financial loss to the Group and the 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 the Company's receivables from customers, cash and cash equivalents and financial assets (derivative instruments).

The Group's and the 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 the Company do not hold collateral, the maximum exposure to credit risk is represented by the total carrying amounts of these financial assets in the financial position. 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 the 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 the Company generally have no concentration of credit risk arising from trade receivables.

(c) Liquidity and cash flow risk

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

Whilst the Group's and the Company's current liabilities exceeded their current assets by RM623,678,000 and RM625,683,000 (2017: RM1,113,867,000 and RM1,114,875,000) 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.

The Directors are committed to ensure that the Group and the Company will have sufficient funds to enable the Group and the 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.

32. Financial risk management policies (cont'd.)

(c) Liquidity and cash flow risk (cont'd.)

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

Group	Note	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
At 31 December 2018					
Term loans	25	**216,908**	**193,890**	**258,981**	**80,596**
Hire purchase	25	**13**	**13**	**22**	**-**
Trade and other payables	24	**1,102,512**	**-**	**-**	**52,767**
Amount due to an associate	21	**7,777**	**-**	**-**	**-**
Amount due to related parties	21	**97,381**	**-**	**-**	**-**
		1,424,591	**193,903**	**259,003**	**133,363**
At 31 December 2017					
Term loans	25	215,667	208,747	376,645	136,809
Hire purchase	25	32	13	36	-
Trade and other payables	24	1,164,130	-	-	93,273
Amount due to a joint venture	21	122,827	-	-	-
Amount due to related parties	21	28,963	-	-	-
		1,531,619	208,760	376,681	230,082

32. Financial risk management policies (cont'd.)

(c) Liquidity and cash flow risk (cont'd.)

Company	Note	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
At 31 December 2018					
Term loans	25	**216,908**	**193,890**	**258,981**	**80,596**
Hire purchase	25	**13**	**13**	**22**	**-**
Trade and other payables	24	**1,099,787**	**-**	**-**	**52,767**
Amount due to a subsidiary	21	**1,688**	**-**	**-**	**-**
Amount due to an associate	21	**56,902**	**-**	**-**	**-**
Amount due to related parties	21	**99,723**	**-**	**-**	**-**
		1,475,021	**193,903**	**259,003**	**133,363**
At 31 December 2017					
Term loans	25	215,667	208,747	376,645	136,809
Hire purchase	25	32	13	36	-
Trade and other payables	24	1,160,773	-	-	93,273
Amount due to a subsidiary	21	1,747	-	-	-
Amount due to an associate	21	122,775	-	-	-
Amount due to a joint venture	21	122,827	-	-	-
Amount due to related parties	21	30,587	-	-	-
		1,654,408	208,760	376,681	230,082

32. Financial risk management policies (cont'd.)

(d) Capital risk management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to 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 and the Company 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 and the Company 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's and the Company's financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Group's and the Company's financial position plus net debt.

The Group's and the Company's overall strategy remained unchanged from 2017. The gearing ratio as at 31 December 2018 and 2017 were as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total borrowings (Note 25)	**687,052**	861,970	**687,052**	861,970
Less: Cash and cash equivalents (Note 22)	**(252,604)**	(391,447)	**(251,145)**	(390,328)
Net debt	**434,448**	470,523	**435,907**	471,642
Total equity attributable to equity holders of the Group and Company	**573,662**	988,606	**591,030**	1,007,120
Total capital	**1,008,110**	1,459,129	**1,026,937**	1,478,762
Gearing ratio	**0.43**	0.32	**0.42**	0.32

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

32. Financial risk management policies (cont'd.)

(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 and the Company's financial instruments are measured in the financial position at fair value. Disclosure of fair value measurements are by level of the following fair value measurement hierarchy:

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

The following table presents the Group's and the Company's assets and liabilities that are measured at fair value.

Group and Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2018				
Liabilities				
Derivatives used for hedging	-	(130,486)	-	(130,486)
Loans and borrowings	-	(324,854)	-	(324,854)
	-	(455,340)	-	(455,340)
31 December 2017				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	23,094	-	23,094
Liabilities				
Loans and borrowings	-	(451,401)	-	(451,401)

32. Financial risk management policies (cont'd.)

(e) Fair value measurement (cont'd.)

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Company then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The Group's and the Company's Level 2 financial instruments comprise fuel swap contracts. The fair value of fuel swap contracts is determined using forward fuel price at the reporting date, with the resulting value discounted back to present value.

33. Financial instruments

(a) Financial instruments by category

Group	Assets at fair value through profit or loss RM'000	Amortised cost RM'000	Total RM'000
31 December 2018			
Assets as per statement of financial position			
Trade and other receivables excluding prepayments and deferred lease expense	-	894,358	894,358
Amount due from an associate	-	67,287	67,287
Amount due from related parties	-	48,851	48,851
Deposits, cash and bank balances	-	297,609	297,609
Total	-	1,308,105	1,308,105

33. Financial instruments (cont'd.)

(a) Financial instruments by category (cont'd.)

Group 31 December 2018	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per statement of financial position			
Derivative financial liabilities	130,486	-	130,486
Borrowings	-	687,052	687,052
Trade and other payables excluding deferred lease income	-	1,143,591	1,143,591
Amount due to an associate	-	7,777	7,777
Amount due to related parties	-	97,381	97,381
Total	130,486	1,935,801	2,066,287

Group 31 December 2017	Assets at fair value through profit or loss RM'000	Amortised cost RM'000	Total RM'000
Assets as per statement of financial position			
Trade and other receivables excluding prepayments and deferred lease expense	-	998,362	998,362
Amount due from an associate	-	110,274	110,274
Amount due from a joint venture	-	44,010	44,010
Amount due from related parties	-	75,305	75,305
Derivative financial assets	23,094	-	23,094
Deposits, cash and bank balances	-	432,675	432,675
Total	23,094	1,660,626	1,683,720

33. Financial instruments (cont'd.)

(a) Financial instruments by category (cont'd.)

Group 31 December 2017	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per statement of financial position			
Borrowings	-	861,970	861,970
Trade and other payables excluding deferred lease income	-	1,237,185	1,237,185
Amount due to a joint venture	-	122,827	122,827
Amount due to related parties	-	28,963	28,963
Total	-	2,250,945	2,250,945

Company 31 December 2018	Assets at fair value through the profit or loss RM'000	Amortised cost RM'000	Total RM'000
Assets as per statement of financial position			
Trade and other receivables excluding prepayments and deferred lease expense	-	894,303	894,303
Amount due from a subsidiary	-	33,464	33,464
Amount due from an associate	-	82,949	82,949
Amount due from related parties	-	48,851	48,851
Deposits, cash and bank balances	-	296,150	296,150
Total	-	1,355,717	1,355,717

33. Financial instruments (cont'd.)

(a) Financial instruments by category (cont'd.)

Company 31 December 2018	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per statement of financial position			
Derivative financial liabilities	130,486	-	130,486
Borrowings	-	687,052	687,052
Trade and other payables excluding deferred lease income	-	1,140,866	1,140,866
Amount due to a subsidiary	-	1,688	1,688
Amount due to an associate	-	56,902	56,902
Amount due to related parties	-	99,723	99,723
Total	130,486	1,986,231	2,116,717

Company 31 December 2017	Assets at fair value through the profit or loss RM'000	Amortised cost RM'000	Total RM'000
Assets as per statement of financial position			
Trade and other receivables excluding prepayments and deferred lease expense	-	998,282	998,282
Amount due from a subsidiary	-	151,744	151,744
Amount due from an associate	-	81,305	81,305
Amount due from a joint venture	-	44,010	44,010
Amount due from related parties	-	75,305	75,305
Derivative financial assets	23,094	-	23,094
Deposits, cash and bank balances	-	431,556	431,556
Total	23,094	1,782,202	1,805,296

33. Financial instruments (cont'd.)

(a) Financial instruments by category (cont'd.)

Company 31 December 2017	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per statement of financial position			
Borrowings	-	861,970	861,970
Trade and other payables excluding deferred lease income	-	1,233,828	1,233,828
Amount due to a subsidiary	-	1,747	1,747
Amount due to an associate	-	122,775	122,775
Amount due to a joint venture	-	122,827	122,827
Amount due to related parties	-	30,587	30,587
Total	-	2,373,734	2,373,734

(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		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Counterparties without external credit rating				
Group 1	-	283	-	283
Group 2	**4,095**	53,796	**4,095**	53,796
Total trade receivables that are neither past due nor impaired (Note 20 (a)(i))	**4,095**	54,079	**4,095**	54,079

33. Financial instruments (cont'd.)

(b) Credit quality of financial assets (cont'd.)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Deposits, cash and bank balances					
AAA to A-		**295,064**	418,289	**293,605**	417,170
BBB to BBB-		**2,250**	14,015	**2,250**	14,015
		297,314	432,304	**295,855**	431,185
Cash on hand		**295**	371	**295**	371
Total	22	**297,609**	432,675	**296,150**	431,556
Amount due from a subsidiary, an associate, a joint venture and related parties					
Group 1		**15,083**	4,920	**15,083**	4,920
Group 2		**96,173**	210,112	**140,108**	188,219
Total	21	**111,256**	215,032	**155,191**	193,139
Derivative financial assets					
AA+ to A+		-	3,249	-	3,249
A to BBB-		-	9,209	-	9,209
No rating		-	10,636	-	10,636
Total	18	-	23,094	-	23,094

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.

34. 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. The operating segments have been identified by each Air Operator Certificate ("AOC") held under the AirAsia brand, and are categorised as Malaysia, Thailand and Indonesia.

The Group's CEO assesses the performance of the operating segments based on revenue and net operating profit.

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

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination adjustments RM'000	Total RM'000
2018					
Segment results					
Revenue	4,571,376	1,523,905	265,573	(452,916)	5,907,938
Operating expenses					
- Staff costs	(422,845)	(116,691)	(30,310)	-	(569,846)
- Depreciation of property, plant and equipment	(127,268)	(5,523)	(2,071)	-	(134,862)
- Aircraft fuel expenses	(1,876,060)	(552,898)	(141,051)	-	(2,570,009)
- Maintenance and overhaul	(485,389)	(194,140)	(56,410)	181,283	(554,656)
- User charges	(508,121)	(189,015)	(46,812)	-	(743,948)
- Aircraft operating lease expenses	(898,654)	(269,900)	(63,170)	271,633	(960,091)
- Other operating expenses	(464,398)	(169,228)	(11,317)	-	(644,943)
Other income	7,414	22,150	5,708	-	35,272
Operating (loss)/ profit	(203,945)	48,660	(79,860)	-	(235,145)
Finance income	55,773	-	83	-	55,856
Finance costs	(70,611)	(1,149)	-	-	(71,760)
Net operating (loss)/profit	(218,783)	47,511	(79,777)	-	(251,049)
Net foreign exchange gain	16,011	17,776	7,413	-	41,200
Other losses	(23,889)	-	-	-	(23,889)
(Loss)/profit before taxation	(226,661)	65,287	(72,364)	-	(233,738)

34. Segmental information (cont'd.)

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination adjustments RM'000	Total RM'000
2017					
Segment results					
Revenue	4,578,674	1,154,285	234,371	(452,727)	5,514,603
Operating expenses					
- Staff costs	(421,259)	(123,155)	(34,452)	-	(578,866)
- Depreciation of property, plant and equipment	(109,338)	(4,741)	(2,166)	-	(116,245)
- Aircraft fuel expenses	(1,466,681)	(318,813)	(81,574)	-	(1,867,068)
- Maintenance and overhaul	(652,922)	(168,299)	(66,232)	148,219	(739,234)
- User charges	(508,507)	(156,374)	(25,092)	-	(689,973)
- Aircraft operating lease expenses	(944,599)	(257,864)	(80,780)	304,508	(978,735)
- Other operating expenses	(413,811)	(106,619)	(18,321)	-	(538,751)
Other income	51,015	22,987	15,016	-	89,018
Operating profit/ (loss)	112,572	41,407	(59,230)	-	94,749
Finance income	33,204	-	147	-	33,351
Finance costs	(61,224)	(2,538)	(46)	-	(63,808)
Net operating profit/(loss)	84,552	38,869	(59,129)	-	64,292
Net foreign exchange gain	106,517	-	4,920	-	111,437
Other losses	(4,265)	-	-	-	(4,265)
Profit/(loss) before taxation	186,804	38,869	(54,209)	-	171,464

34. Segmental information (cont'd.)

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination adjustments RM'000	Total RM'000
2018					
Segment Assets					
Non-current assets^	2,792,199	165,393	12,044	(67,287)	2,902,349
Investment in an associate and a joint venture	-	-	-	-	-
Current assets	1,549,372	447,876	318,205	(7,777)	2,307,676
	4,341,571	613,269	330,249	(75,064)	5,210,025
Segment Liabilities					
Non-current liabilities	(1,594,859)	(11,574)	(5,679)	67,287	(1,544,825)
Current liabilities	(2,173,050)	(590,580)	(536,313)	7,777	(3,292,166)
	(3,767,909)	(602,154)	(541,992)	75,064	(4,836,991)

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination adjustments RM'000	Total RM'000
2017					
Segment Assets					
Non-current assets^	3,658,231	106,293	41,779	(125,315)	3,680,988
Investment in an associate and a joint venture	-	-	-	-	-
Current assets	1,105,949	418,883	321,756	(151,796)	1,694,792
	4,764,180	525,176	363,535	(277,111)	5,375,780
Segment Liabilities					
Non-current liabilities	(1,555,758)	(9,076)	(4,128)	125,315	(1,443,647)
Current liabilities	(2,219,816)	(569,565)	(467,281)	151,796	(3,104,866)
	(3,775,574)	(578,641)	(471,409)	277,111	(4,548,513)

^ Excluding investment in an associate and a joint venture.

34. Segmental information (cont'd.)

	2018 RM'000	2017 RM'000
(a) Reconciliation of segment revenue to reported revenue:		
Segment revenue	**5,907,938**	5,514,603
Less: Revenue from an associate and a joint venture which were not consolidated	**(1,336,562)**	(935,929)
	4,571,376	4,578,674
(b) Reconciliation of segment (loss)/profit before taxation to reported (loss)/profit before taxation:		
Segment (loss)/profit before taxation	**(233,738)**	171,464
Add: Expenses from an associate and a joint venture which were not consolidated	**7,077**	15,340
	(226,661)	186,804
(c) Reconciliation of segment assets to reported total assets:		
Segment assets	**5,210,025**	5,375,780
Less: Assets of an associate and a joint venture which were not consolidated	**(868,454)**	(611,600)
	4,341,571	4,764,180
(d) Reconciliation of segment liabilities to reported total liabilities:		
Segment liabilities	**(4,836,991)**	(4,548,513)
Add: Liabilities of an associate and a joint venture which were not consolidated	**1,069,082**	772,939
	(3,767,909)	(3,775,574)

35. Unconsolidated structured entities

The Group and 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 Group and 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 Group and the Company has no equity interest.

35. Unconsolidated structured entities (cont'd.)

The details of the Merah X entities are as follows:

Name	Country of incorporation	Purpose
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 Enam Limited	Malaysia	Purchase of 2 Airbus A330-300 aircraft

The SPCs do not incur any losses or earn any income during the financial year ended 31 December 2018. 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 do not provide any financial support to the SPC or have any contractual obligation to make good the losses, if any.

36. Other matters

On 2 May 2018, the Company received a sealed Writ of Summons and Statement of Claim ("Claim") filed at the High Court of Malaya at Shah Alam ("Court") from Messrs Skrine ("Skrine"), the solicitors acting for Malaysia Airports (Sepang) Sdn Bhd ("MASSB"). Pursuant to the Claim, MASSB claimed for RM34.9 million against the Company for outstanding airport charges, rent payment and late payment charges allegedly payable up to 31 March 2018. The Company maintains that it has fully paid any outstanding airport charges and rent rightfully due during the financial year. The legal proceedings in respect of the Claim are still ongoing, and the remaining amount in dispute of RM4.0 million is in relation to late payment charges.

On 12 December 2018, the Company received another Claim from Skrine on behalf of MASSB for RM26.7 million being the alleged outstanding passenger service charges ("PSC") and shortfall of RM23 in PSC per passenger which was purportedly effective from 1 July 2018. The Company states that it is not obliged to and will not collect from its passenger this RM23 now claimed pending the conclusion of legal proceedings.

The Company is vigorously defending the proceedings relating to the above claims through its solicitors.

37. Subsequent events

On 27 March 2019, the Company had entered into sub-sale arrangements through AAX Leasing Eleven Ltd ("AAXLEL") (an indirect subsidiary of the Company through AAX Aviation Capital Ltd) for the disposal of three (3) aircraft owned by the Company to Jerdons Baza Leasing 1048 DAC (pertaining to aircraft with Manufacturing Serial Number ("MSN") 1048), Jerdons Baza Leasing 1066 DAC (pertaining to aircraft with MSN 1066) and Jerdons Baza Leasing 1075 DAC (pertaining to aircraft with MSN 1075) for an aggregate consideration of USD164.3 million (approximately RM680.0 million) (before adjustments).

On the same date, AAXLEL had entered into lease agreements with Jerdons Baza Leasing 1048 DAC (pertaining to aircraft with MSN 1048), Jerdons Baza Leasing 1066 DAC (pertaining to aircraft with MSN 1066) and Jerdons Baza Leasing 1075 DAC (pertaining to aircraft with MSN 1075). Simultaneously, the Company entered into sub-leases with AAXLEL as sub-lessor and the Company as sub-lessee to continue operating the abovementioned aircraft in its fleet.

38. Comparative figures

Certain comparative amounts of the Group and of the Company have been reclassified to conform with current year's presentation.

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AIRASIA X BERHAD
(Incorporated in Malaysia)

Statement by Directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Tan Sri Rafidah Aziz and Datuk Kamarudin Bin Meranun, being two of the Directors of AirAsia X Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 7 to 124 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 28 March 2019.

Tan Sri Rafidah Aziz
Director

Datuk Kamarudin Bin Meranun
Director

Kuala Lumpur, Malaysia

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Wong Mee Yen, the officer primarily responsible for the financial management of AirAsia X Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 7 to 124 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Wong Mee Yen at Kuala Lumpur in the Federal Territory on 28 March 2019.

Wong Mee Yen
MIA No. 6997

Before me,

Commissioner for Oaths
Kuala Lumpur

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Independent auditors' report to the members of AirAsia X Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AirAsia X Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and statements of profit or loss, 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 notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 124.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Independent auditors' report to the members of AirAsia X Berhad (cont'd.)
(Incorporated in Malaysia)**

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Key risk	Our response
Revenue recognition from scheduled flights and ancillary services Refer to Note 4 to the financial statements for revenue and statement of financial position for sales in advance. For the financial year ended 31 December 2018, revenue from scheduled flights and ancillary services represent 83% (2017: 83%) of the total revenue of the Group and of the Company. The Group and the Company rely on an integrated information technology system (including the flight reservation system and revenue accounting system) in accounting for its scheduled flights and ancillary revenue. Such information system processes large volumes of data comprising individually low value transactions. The flight reservation system is managed by a third party vendor.	Our audit sought to place a high level of reliance on the Group's and the Company's information technology systems and key controls which the management relies on in recording revenue from scheduled flights and ancillary services. As the flight reservation system is managed by a third party vendor, we obtained and evaluated the external auditors' report on the operating effectiveness of the key controls over the flight reservation system and revenue accounting system. We involved our information technology specialists to test the operating effectiveness of the automated controls of the other key modules of the information technology system. We also tested the non-automated controls in place to ensure completeness and accuracy of revenue recognised, including timely updating of approved changes to base fares and ancillary fares.

Independent auditors' report to the members of AirAsia X Berhad (cont'd.)
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Key risk	Our response
Revenue recognition from scheduled flights and ancillary services (cont'd.)	
The accounting for revenue from scheduled flights and ancillary services are susceptible to management override through the posting of manual journal entries either in the underlying ledgers or as a consolidation journal. The above factors gave rise to higher risk of material misstatement in the timing and amount of revenue from scheduled flights and ancillary services recognised. Accordingly, we identified revenue recognition to be an area of focus.	In addition, we also performed, amongst others, the following procedures: a) Performed data analytics to reconcile the revenue recognised in respect of scheduled flights and ancillary services and the amount of sales in advance to the payments received from passengers; b) Performed procedures to corroborate the occurrence of revenue by tracing samples of revenue recognised to settlement reports from financial institutions; c) Tested the reconciliation of data between the flight reservation system and the general ledger to corroborate the completeness of revenue; and d) Performed cut-off procedures to determine if revenue from scheduled flights and ancillary services are recorded in the correct accounting period.

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Independent auditors' report to the members of AirAsia X Berhad (cont'd.) (Incorporated in Malaysia)

Key audit matters (cont'd.)

Key risk	Our response
Provision for aircraft maintenance	
Refer to Note 3(iii) and Note 26 to the financial statements for provision for aircraft maintenance. As at 31 December 2018, the provision for aircraft maintenance of the Group and of the Company amounted to RM1,014 million (2017: RM789 million). As of 31 December 2018, the Group and the Company operate twenty five (25) aircraft under operating leases. In respect of these operating lease arrangements, the Group and the Company are contractually obligated to maintain the aircraft during the lease period and to redeliver the aircraft to the lessors at the end of the lease term, in certain pre-agreed conditions. Management estimates the overhaul, restoration and redelivery costs and accrues such costs over the lease term. The calculation of such costs includes management assumptions and estimates in respect of the anticipated rate of aircraft utilisation which includes flying hours and flying cycles and calendar months of the asset as used. These aircraft utilisation and calendar months affect the extent of the restoration work that will be required and the expected costs of such overhaul, restoration and redelivery at the end of the lease term. Given the significant amounts of these provisions and the extent of management judgment and estimates required, we considered this area as a key audit matter.	In addressing this area of audit focus, our audit procedures included, amongst others: a) we obtained an understanding of management's process over estimating aircraft maintenance for aircraft held under operating leases; b) we recalculated the aircraft maintenance and evaluated the key assumptions adopted by management in estimating the aircraft return obligations for each aircraft by discussing with the Group's and the Company's relevant fleet maintenance engineers the aircraft utilisation statistics; and c) in addition, we obtained an understanding of the redelivery terms of operating leases by comparing the estimated costs and comparable actual costs incurred by the Group and the Company.

Independent auditors' report to the members of AirAsia X Berhad (cont'd.)
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Key risk	Our response
Recognition of deferred tax assets	
Refer to Note 3(ii) and Note 17 to the financial statements for deferred tax. As at 31 December 2018, the Group and the Company recognised deferred tax assets amounting to RM386 million and RM385 million (2017: RM424 million and RM423 million), respectively, in relation to unutilised investment allowance, unabsorbed capital allowances, unused tax losses, sales in advance and other deductible temporary differences ("unused tax losses/ allowances and deductible temporary differences") to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences can be utilised. The assessment of future taxable profits is a complex process and requires significant management's judgments, in particular the judgments applied in respect of the expected future economic conditions of the industry which impact the revenue growth rates and operating costs of the entities being assessed. In view of the significance of the amount and the significant judgements involved, we consider this to be a key audit matter.	Our audit procedures included, amongst others: a) we evaluated the key assumptions applied in respect of revenue growth rates and operating costs by comparing them to past actual outcome, supplemented by expectations of the future economic conditions; and b) we also assessed the adequacy of the Group's and the Company's disclosures on the deferred tax assets in Note 3(ii) and Note 17 to the financial statements.

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Independent auditors' report to the members of AirAsia X Berhad (cont'd.) (Incorporated in Malaysia)

Key audit matters (cont'd.)

Key risk	Our response
Fair value derivative financial assets/liabilties	
Refer to Note 18 to the financial statements for derivative financial assets/liabilities. As at 31 December 2018, the Group's and the Company's derivative financial liabilities amounted to RM130 million (2017: RM23 million derivative financial assets). Net losses on effective cash flow hedges during the financial year amounting to RM98 million (2017: RM107 million) were recognised in other comprehensive income. The gain or loss arising from ineffective hedges is recognised immediately in the income statement. The Group and the Company enter into various derivative financial instruments as part of the Group's overall hedging strategy to manage its exposure to fuel price risk. These instruments comprise fuel options and fuel swap contracts. Valuation models used to estimate the fair value of derivative financial instruments can be subjective in nature and involve various assumptions regarding future market conditions, such as risk free rates, interest rate volatility and forward rates. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value and/or hedge effectiveness. Due to the complexity involved and the magnitude of the balance, we consider the fair value measurement of derivative financial instruments to be an area of audit focus.	In addressing this area of audit focus, our audit procedures included, amongst others: a) involved our valuation specialists to assess the methodology and the appropriateness of the valuation models used to estimate the fair value of the derivative financial instruments; b) our valuation specialists also evaluated the key inputs applied in the valuation model such as contractual cash flows, risk free rates, interest rate volatility and forward rates, by benchmarking them with external data; and c) obtained third party confirmations to corroborate the existence and valuation of the derivative financial instruments.

Independent auditors' report to the members of AirAsia X Berhad (cont'd.)
(Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report 2018, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report 2018, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate action.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRS, IFRS and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

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Independent auditors' report to the members of
AirAsia X Berhad (cont'd.)
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Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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**Independent auditors' report to the members of
AirAsia X Berhad (cont'd.)
(Incorporated in Malaysia)**

Auditors' responsibilities for the audit of the financial statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also: (cont'd.)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

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Independent auditors' report to the members of
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Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Lim Eng Hoe
No. 03403/12/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
28 March 2019