

**THAI AIRASIA COMPANY LIMITED**

**STATUTORY FINANCIAL STATEMENTS**

**31 DECEMBER 2011**



## AUDITOR'S REPORT

To the Shareholders of Thai AirAsia Company Limited

I have audited the accompanying statement of financial position of Thai AirAsia Company Limited as at 31 December 2011, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended. The Company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of Thai AirAsia Company Limited for the year ended 31 December 2010, presented herewith for comparative purpose, were audited by another auditor with the same firm as myself and her report dated 30 May 2011, expressed an unqualified opinion on those statements with emphasis of matters relating to the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position as at 31 December 2011, and the result of its operations, and cash flows for the year then ended of Thai AirAsia Company Limited, in accordance with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Chanchai Chaiprasit', with a long horizontal flourish extending to the right.

Chanchai Chaiprasit  
Certified Public Accountant (Thailand) No. 3760  
PricewaterhouseCoopers ABAS Limited

Bangkok  
8 March 2012

**Thai AirAsia Company Limited**  
**Statements of Financial Position**  
**As at 31 December 2011 and 2010**

	<b>Notes</b>	<b>2011 Baht</b>	<b>2010 Baht</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	1,359,702,567	507,821,793
Cash at financial institutions pledged as security		14,458,500	50,000,000
Short-term investment	9	9,120,279	8,978,474
Trade and other receivables, net	10	191,835,196	110,573,474
Amounts due from related parties	22.5	275,965,053	2,732,185,031
Short-term loan to a director	22.7	-	105,167,062
Inventories		51,232,834	6,390,028
Prepaid expenses		225,538,898	178,242,654
Value added tax receivable, net		689,158,323	270,768,859
Other current assets		19,339,214	88,197,102
<b>Total current assets</b>		<b>2,836,350,864</b>	<b>4,058,324,477</b>
<b>Non-current assets</b>			
Cash at financial institutions pledged as security		56,000,000	24,975,600
General investment	11	6,929,500	7,487,100
Leasehold improvements and equipment, net	12	302,933,748	274,643,823
Intangible assets, net	13	14,260,815	21,122,820
Other non-current assets	14	573,371,519	480,224,934
<b>Total non-current assets</b>		<b>953,495,582</b>	<b>808,454,277</b>
<b>Total assets</b>		<b>3,789,846,446</b>	<b>4,866,778,754</b>

The accompanying notes are an integral part of these financial statements.

**Thai AirAsia Company Limited**  
**Statements of Financial Position (Cont'd)**  
**As at 31 December 2011 and 2010**

	<b>Notes</b>	<b>2011 Baht</b>	<b>2010 Baht</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Trade accounts payable		105,931,528	175,014,034
Other accounts payable		66,368,776	47,790,469
Short-term borrowings from a financial institution	15	-	200,000,000
Amounts due to a related party	22.6	361,092,140	4,161,728,551
Deferred revenues		2,716,364,349	2,373,444,659
Accrued expenses		476,097,173	389,709,270
Current portion of long-term borrowing from a financial institution	16	486,000,000	-
Current portion of finance lease liabilities		4,767,819	1,158,282
Other current liabilities		14,029,860	19,505,839
<b>Total current liabilities</b>		<b>4,230,651,645</b>	<b>7,368,351,104</b>
<b>Non-current liabilities</b>			
Long-term borrowing from a financial institution	16	13,163,251	-
Finance lease liabilities		9,254,534	1,378,526
Employee benefit obligations	17	82,752,289	-
<b>Total non-current liabilities</b>		<b>105,170,074</b>	<b>1,378,526</b>
<b>Total liabilities</b>		<b>4,335,821,719</b>	<b>7,369,729,630</b>
<b>Shareholders' equity</b>			
Share capital	18		
Authorised share capital			
Ordinary shares, shares 40,000,000 shares of par Baht 10 each		400,000,000	400,000,000
Issued and paid-up share capital			
Ordinary shares, shares 40,000,000 shares of paid-up Baht 10 each		400,000,000	400,000,000
Premium on share capital	18	1,227,629	1,227,629
Deficits		(947,202,902)	(2,904,178,505)
<b>Total shareholders' equity</b>		<b>(545,975,273)</b>	<b>(2,502,950,876)</b>
<b>Total liabilities and shareholders' equity</b>		<b>3,789,846,446</b>	<b>4,866,778,754</b>

The accompanying notes are an integral part of these financial statements.

**Thai AirAsia Company Limited**  
**Statements of Comprehensive Income**  
**For the years ended 31 December 2011 and 2010**

	<b>Notes</b>	<b>2011</b> <b>Baht</b>	<b>2010</b> <b>Baht</b>
Revenues	19	16,157,597,567	12,098,726,066
Operating costs		<u>(13,757,646,077)</u>	<u>(9,965,173,058)</u>
<b>Gross profit</b>		2,399,951,490	2,133,553,008
Net gain on exchange rates		155,268,528	356,842,232
Other income		<u>451,084,289</u>	<u>363,009,001</u>
<b>Profit before expenses</b>		3,006,304,307	2,853,404,241
Selling expenses		(444,678,078)	(357,931,386)
Administrative expenses		<u>(357,909,177)</u>	<u>(241,314,226)</u>
<b>Profit before finance costs and income tax</b>	20	2,203,717,052	2,254,158,629
Finance costs		<u>(183,658,393)</u>	<u>(243,122,589)</u>
<b>Profit before income tax</b>		2,020,058,659	2,011,036,040
Income tax		<u>-</u>	<u>-</u>
<b>Profit for the year</b>		<u>2,020,058,659</u>	<u>2,011,036,040</u>
<b>Total comprehensive income for the year</b>		<u><u>2,020,058,659</u></u>	<u><u>2,011,036,040</u></u>
<b>Earnings per share</b>	21		
Basic earnings per share		<u><u>50.50</u></u>	<u><u>50.28</u></u>

The accompanying notes are an integral part of these financial statements.

**Thai AirAsia Company Limited**  
**Statements of Changes in Shareholders' Equity**  
**For the years ended 31 December 2011 and 2010**

	<b>Note</b>	<b>Issued and paid-up share capital Baht</b>	<b>Premium on share capital Baht</b>	<b>Deficits Baht</b>	<b>Total Baht</b>
<b>Opening balance as at 1 January 2010</b>		400,000,000	1,227,629	(4,915,214,545)	(4,513,986,916)
Total comprehensive income for the year		-	-	2,011,036,040	2,011,036,040
<b>Closing balance as at 31 December 2010</b>		<u>400,000,000</u>	<u>1,227,629</u>	<u>(2,904,178,505)</u>	<u>(2,502,950,876)</u>
<b>Opening balance as at 1 January 2011</b>		400,000,000	1,227,629	(2,904,178,505)	(2,502,950,876)
Adjustment for adoption of a new accounting standard	3.2	-	-	(63,083,056)	(63,083,056)
<b>Balance after adjustment</b>		400,000,000	1,227,629	(2,967,261,561)	(2,566,033,932)
Total comprehensive income for the year		-	-	2,020,058,659	2,020,058,659
<b>Closing balance as at 31 December 2011</b>		<u>400,000,000</u>	<u>1,227,629</u>	<u>(947,202,902)</u>	<u>(545,975,273)</u>

The accompanying notes are an integral part of these financial statements.

**Thai AirAsia Company Limited**  
**Statements of Cash Flows**  
**For the years ended 31 December 2011 and 2010**

	<b>Notes</b>	<b>2011 Baht</b>	<b>2010 Baht</b>
<b>Cash flows from operating activities</b>			
Profit before income tax		2,020,058,659	2,011,036,040
Adjustments for:			
Reversals of doubtful debts		(2,868,378)	(1,938,890)
Depreciation	12	66,711,759	118,740,369
Amortisation	13	4,823,576	4,444,984
Loss (gain) on disposals and write-offs of leasehold improvements and equipment and intangible assets		1,046,574	(1,412,236)
Estimated costs of aircrafts redelivery before maturities (Adjusted to actual)	20, 22.2	-	(114,276,519)
Employee benefit expenses	17	19,669,233	-
Unrealised gain on exchange rates		(41,868,490)	(2,001,071)
Finance costs		183,658,393	243,122,589
Interest income		(135,911,978)	(50,338,825)
		<u>2,115,319,348</u>	<u>2,207,376,441</u>
<b>Changes in operating assets and liabilities:</b>			
- Cash at financial institutions pledged as security		4,517,100	(74,975,600)
- Trade and other receivables		(78,393,344)	58,947,602
- Amounts due from related parties		1,662,997,284	(2,612,679,296)
- Inventories		(44,842,806)	(1,663,492)
- Prepaid expenses		(47,296,244)	(146,433,800)
- Value added tax receivable		(418,389,464)	(64,303,011)
- Other current assets		68,857,888	(68,018,221)
- Other non-current assets		(93,146,585)	(78,016,819)
- Trade accounts payable		(69,082,506)	(181,121,534)
- Other accounts payable		18,578,307	870,481
- Amounts due to related parties		(3,048,987,508)	(185,283,154)
- Deferred revenues		342,919,690	899,066,128
- Accrued expenses		86,387,903	(72,543,887)
- Other current liabilities		(5,475,979)	2,748,326
		<u>493,963,084</u>	<u>(316,029,836)</u>
Cash generated from (used in) operation		493,963,084	(316,029,836)
Interest paid		(24,046,808)	(281,331)
Interest received		51,435,756	2,713,726
		<u>521,352,032</u>	<u>(313,597,441)</u>
Net cash generated from (used in) operating activities		<u>521,352,032</u>	<u>(313,597,441)</u>

The accompanying notes are an integral part of these financial statements.

**Thai AirAsia Company Limited**  
**Statements of Cash Flows (Cont'd)**  
**For the years ended 31 December 2011 and 2010**

	<b>Notes</b>	<b>2011 Baht</b>	<b>2010 Baht</b>
<b>Cash flows from investing activities</b>			
Short-term loan granted to a director	22.7	(63,041,200)	(63,400,000)
Short-term loan repaid from a director	22.7	163,041,200	150,400,000
Proceeds from general investment	11	557,600	730,600
Proceeds from disposals of leasehold improvements and equipment		7,892,381	2,362,198
Payments for leasehold improvements and equipment		(82,040,718)	(108,586,355)
Payments for intangible assets		(2,288,579)	(14,683,287)
Interest received		6,477,138	-
Net cash generated from (used in) investing activities		<u>30,597,822</u>	<u>(33,176,844)</u>
<b>Cash flows from financing activities</b>			
Proceed from (repayments of) short-term borrowings from a financial institution	15	(200,000,000)	200,000,000
Repayments of finance lease		(6,087,368)	(1,480,538)
Proceed from long-term borrowing from a financial institution	16	961,163,251	-
Repayments of long-term borrowing from a financial institution	16	(462,000,000)	-
Interest paid		(35,013,453)	-
Net cash generated from financing activities		<u>258,062,430</u>	<u>198,519,462</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		810,012,284	(148,254,823)
Cash and cash equivalents at the beginning of the year		507,821,793	654,075,545
Effect of exchange rates		41,868,490	2,001,071
<b>Cash and cash equivalents at the end of the year</b>		<u><u>1,359,702,567</u></u>	<u><u>507,821,793</u></u>

**Non-cash transactions**

Significant non-cash transactions during the years ended 31 December 2011 and 2010 are as follows:

Purchase of motor vehicles under finance lease agreements	17,572,913	-
Purchase of leasehold improvements and equipment which have not been paid at the end of the year	-	670,097

The accompanying notes are an integral part of these financial statements.



## **1 General information**

Thai AirAsia Company Limited (“the Company”) is a limited company and incorporated in Thailand. The address of the Company’s registered office is as follows:

60/1 Monririn Tower 3<sup>rd</sup> floor, B Building, Soi Sailom, Phahol-yothin Road, Samsennai, Phayathai, Bangkok 10400.

The Company’s operating office is located at 99 OSC Building, Kingkaew Road, Rachatewa, Bangplee, Samutprakarn 10540

The principal business operation of the Company is to provide low-fare airline service.

The Company is jointly controlled by Asia Aviation Public Company Limited (formerly Asia Aviation Company Limited), incorporated in Thailand and AirAsia Investment Ltd. (formerly AA International Ltd.), incorporated in Malaysia, which own 51% and 49% of the Company’s shares, respectively.

The financial statements were approved by the Board of Directors on 8 March 2012.

## **2 Financial position**

As at 31 December 2011, the Company had total current liabilities exceeding its total current assets at amount of Baht 1,394 million (2010: Baht 3,310 million). Major balances in current liabilities were deferred revenues, which the Company will be able to provide the services as normal operations. In addition, revenues for the year have increased by Baht 4,059 million, and there was a net profit for the year ended 31 December 2011 amounting to Baht 2,020 million (2010: Baht 2,011 million). The related financial information for the year then ended of the Company, revealed a significant improvement in operating results. Therefore, these financial statements have been prepared on a going concern basis.

## **3 Accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### **3.1 Basis of preparation**

The financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E.2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act.

The financial statements have been prepared under the historical cost convention, except if disclosed otherwise in the accounting policies.

The preparation of financial statements in conformity with Thai Generally Accepted Accounting Principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

**3 Accounting policies (Cont'd)**

**3.1 Basis of preparation (Cont'd)**

The comparative figures in the statement of financial position for trade and other receivables, other current assets, cash at financial institutions pledged as security, trade accounts payable, accrued expenses and other accounts payable have been reclassified to conform with changes in presentation in the current year and to comply with the requirement of the Department of Business Development. The effects of the reclassification are as follows:

	<b>As previously reported Baht</b>	<b>Reclassification increase (decrease) Baht</b>	<b>Amounts after reclassification Baht</b>
<b>Statement of financial position as at 31 December 2010</b>			
Cash at financial institutions pledged as security - current	-	50,000,000	50,000,000
Trade and other receivables - net	83,959,037	26,614,437	110,573,474
Other current assets	114,811,539	(26,614,437)	88,197,102
Cash at financial institutions pledged as security - non-current	74,975,600	(50,000,000)	24,975,600
Trade accounts payable	271,136,226	(96,122,192)	175,014,034
Other accounts payable	26,925,594	20,864,875	47,790,469
Accrued expenses	293,587,078	96,122,192	389,709,270
Other current liabilities	40,370,714	(20,864,875)	19,505,839

An English version of the financial statements has been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

**3.2 New accounting standards, new financial reporting standards, new interpretation, and amendments to accounting standards**

- a) Commencing 1 January 2011, the Company has applied the following new accounting standards, new financial reporting standards, new interpretations, and amendments to accounting standards (collectively "the accounting standards") that are mandatory for the financial year beginning on or after 1 January 2011. The new accounting standards which are relevant to the Company are listed below :

TAS 1	(Revised 2009)	Presentation of Financial Statements
TAS 2	(Revised 2009)	Inventories
TAS 7	(Revised 2009)	Statement of Cash Flows
TAS 8	(Revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10	(Revised 2009)	Events after the Reporting Period
TAS 16	(Revised 2009)	Property, Plant and Equipment
TAS 17	(Revised 2009)	Leases
TAS 18	(Revised 2009)	Revenue
TAS 19		Employee Benefits
TAS 24	(Revised 2009)	Related Party Disclosures
TAS 33	(Revised 2009)	Earnings per Share
TAS 34	(Revised 2009)	Interim Financial Reporting
TAS 36	(Revised 2009)	Impairment of Assets
TAS 37	(Revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38	(Revised 2009)	Intangible Assets
TSIC 31		Revenue - Barter Transactions Involving Advertising Services

**3 Accounting policies (Cont'd)**

**3.2 New accounting standards, new financial reporting standards, new interpretation, and amendments to accounting standards (Cont'd)**

The new accounting standards which are considered to have an impact to the financial statements are described below:

TAS 1 (Revised 2009), the revised standard requires entities to present the statement of financial position and the statement of comprehensive income. Entities can choose whether to present one statement (the statement of comprehensive income) or two statements (the statement of income and statement of comprehensive income). The Company chooses to present one statement. Where entities restate or reclassify comparative information, they will be required to present a restated statement of financial position as at the beginning comparative period in addition to the current requirement to present statement of financial position at the end of the current period and comparative period. However, for the financial statements which are beginning on or after 1 January 2011 and are the first period apply this standard, an entity is not required to present the statement of financial position as at the beginning comparative period.

TAS 19 deals with accounting for employee benefits. The standard classifies employee benefits into 4 categories: a) short-term employee benefits b) post-employment benefits (including defined contribution plan and defined benefit plan) c) other long-term employee benefits and d) termination benefits. The standard requires the entity to measure the defined benefit plan and other long-term employee benefits by using the Projected Unit Credit method (PUC). An entity can choose to recognise any actuarial gain or loss for defined benefit plan either in other comprehensive income or profit or loss. Actuarial gain or loss for other long-term employee benefits shall be recognised in profit or loss.

The Company chooses to apply this standard for the first time by adjusting a total amount against the deficits as of 1 January 2011. The effects of the adoption of the above standards to the financial statements are as follows:

	<b>Baht</b>
<b>Statement of changes in shareholders' equity</b>	
Deficits as of 1 January 2011 increased	63,083,056

- b) New accounting standards and amendments to accounting standards which are currently relevant to the Company but the Company has not yet early adopted them:

Effective for the periods beginning on or after 1 January 2013

TAS 12	Income taxes	
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rates	

The Company's management has assessed and determined that the new accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards will not significantly impact the financial statements being presented except the new accounting standard as disclosed below:

TAS 12 deals with taxes on income, comprising current tax and deferred tax. Current tax assets and liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using tax rates that tax law have been enacted or substantively enacted by the end of the reporting period. Deferred taxes are measured by based on the temporary difference between the tax base of an asset or liability and its carrying amount in the financial statements and using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The Company will apply this standard from 1 January 2013 retrospectively with an expected incur of deferred tax account and an impact to retained earnings and income tax expense. The Company's management is currently assessing the impact of applying this standard.

**3 Accounting policies (Cont'd)**

**3.3 Change in accounting policy**

During the year ended 31 December 2011, the Company changed its accounting policy in respect of consumables (Note 3.7). They are now recorded as inventories. Previously, the consumables purchased to replace those used during the year were reported as operating costs in profit and loss. Because the management considered that this change in accounting policy would enhance effective control over consumables, which would be increased in accordance with the future increment in number of aircraft, the Company did not make a retrospective adjustment. The reason for this was that the management assessed the effects on deficits and inventories as at the beginning of the year, and the operating costs of the prior year were immaterial.

**3.4 Foreign currency translation**

Items included in the financial statements are measured using Thai Baht.

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Thai Baht at the exchange rates prevailing at the statement of financial position date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

**3.5 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less from the date of acquisition and are not pledged as security.

**3.6 Trade accounts receivable**

Trade accounts receivable are carried at the original invoice amount and subsequently measured at the remaining amount less any allowance for doubtful receivables based on a review of all outstanding amounts at the end of year. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written off during the year in which they are identified and recognised in profit or loss within administrative expenses.

**3.7 Inventories**

Inventories comprise food, beverage, merchandise, and consumables.

Food, beverage and merchandise are stated at the lower of cost or net realisable value. Cost is determined by the first-in, first-out method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventories such as import duties and transportation charges, less all attributable discounts, allowances or rebates.

Consumables used internally for aircraft repairs and maintenance are stated at the lower of cost or 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 is the estimate of the selling price in the ordinary course of business, less estimated cost necessary to make the sale. Allowance is made, where necessary, for obsolete, slow moving or defective inventories.

**3 Accounting policies (Cont'd)**

**3.8 General investment**

The Company's general investment is non-marketable equity security. The classification depends on the purpose for which the investment was acquired. Management determines the appropriate classification of its investment at the time of the purchase and re-evaluates such designation on a regular basis.

General investment is carried at cost less impairment.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to profit or loss.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss. When disposing of part of the Company's holding of particular investment in debt or equity securities, the carrying amount of the disposed part is determined by the weighted average carrying amount of the total holding of the investment.

**3.9 Leasehold improvements and equipment**

Leasehold improvements and equipment are stated at cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis to write-off the cost of each asset, to its residual value over the estimated useful life as follows:

Leasehold improvements	5 years
Computers	5 years
Furniture, fixtures and office equipment	5 years
Operating equipment	5 years
Motor vehicles	5 years
Aircraft spare parts	4 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

**3 Accounting policies (Cont'd)**

**3.10 Intangible assets**

**Computer software**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years on the straight-line basis.

**3.11 Leases - where the Company is the lessee**

Leases of assets which substantially transfer all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in finance lease liabilities. The interest element of the finance cost is charged to profit or loss over the lease period. The assets acquired under finance lease is depreciated over the useful life of the asset.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

**3.12 Borrowings**

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost as the redemption value. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

**3.13 Employee benefits**

**3.13.1 Provident fund**

The Company operates a provident fund that is a defined contribution plan. The fund assets are held in a separate trust fund and are managed by an external fund manager. The provident fund is funded by payments from employees and by the Company. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company's contributions to the provident fund are charged to profit or loss in the year to which they relate.

**3 Accounting policies (Cont'd)**

**3.13 Employee benefits (Cont'd)**

**3.13.2 Retirement benefits**

The retirement benefit is a defined benefit plan that an employee will receive on retirement according to Thai Labour Law depending on age and years of service.

The liability of retirement benefit is recognised in the statement of financial position using the present value of the obligation at the statement of financial position date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The retirement benefit is calculated annually by an independent actuary using the projected unit credit method. The present value of the benefit obligation is determined by discounting the estimated future cash outflows using interest rates of referred government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related retirement liabilities. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

**3.14 Provisions**

Provisions, which exclude the provision relating to employee benefits, are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain.

**3.15 Revenue recognition**

Passenger revenue and other related services such as baggage handling fee, assigned seat revenue and cancellation and documentation revenue are recognised upon the rendering of services. The value of seats sold for which services have not been rendered is included in deferred revenues.

Revenue from sales comprises receivable for the sale of goods net of output tax, rebates and discounts. Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

Other income is recognised on an accrual basis.

## **4 Financial risk management**

### **4.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks, including the effects of changes in fuel price and foreign currency exchange rates. The Company's overall risk management programme focuses on the volatility of financial markets and seeks to minimise potential adverse effects on the financial performance. The Company does not have policies to use derivative financial instruments for trading or speculative purpose.

#### **Fuel price risk**

The Company is exposed to the fluctuation of fuel price. To manage the risk of fuel price fluctuation, AirAsia Berhad, a related party, is carried out the risk management on behalf of the Company (Note 4.2).

#### **Foreign exchange risk**

Foreign currency assets mainly represent deposits at banks, other deposits and amounts due from related parties. Foreign currency liabilities mainly represent trade accounts payable and amounts due to related parties.

The Company is exposed to foreign exchange risk arising from currency exposures mainly in respect of US Dollars. The Company has a natural hedge to the extent that payments for foreign currency payables are matched against receivables denominated in the same foreign currency. However, the Company does not use any derivative financial instruments to hedge foreign currency exposure.

#### **Interest rate risk**

The Company's interest rate risk arises from short-term borrowings, long-term borrowing and amounts due to related parties. Borrowings issued at variable rates and amounts due to related parties issued at fixed rate. Management considers that interest rate risk is not significant. However, all interest rate derivative transactions, which may be incurred, are subject to approval by the Board of Directors before execution.

#### **Credit risk**

Most of the Company's income, being passenger revenue, is normally paid by clients in advance. The credit risk incurred from amounts due from related parties and short-term loan to a director is low. Management is therefore of the opinion that credit risk is not significant. The Company has not entered into any derivative contracts relating to credit risk. Cash transactions are limited to high credit quality financial institutions.

#### **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Company Treasury aims at maintaining flexibility in funding by keeping credit lines available.



**4 Financial risk management (Cont'd)**

**4.2 Accounting for derivative financial instruments and hedging activities**

Derivative financial instruments, which the Company used to manage risk, comprise fuel price swap agreements.

**Fuel price swap agreements**

AirAsia Berhad, a related party, has entered into fuel price swap agreements with third parties which protect the Company from the risk of movements in fuel price. The Company has entered into the agreement with AirAsia Berhad under the term of the agreement that gains or losses on fuel price swap agreements are allocated to the Company based on proportion of fuel consumption on a monthly basis. The Company recorded these transactions in profit or loss as a component of operating costs when they incur.

**4.3 Fair value estimation**

Fair values of financial assets and liabilities are approximate their carrying amounts because their periods of maturities are short, therefore, there are no significant risk that would impact the Company's future cash flows.

**Fuel price swap agreements**

The net fair value of fuel price swap agreements at the statement of financial position date is as follows:

	<b>2011</b>	<b>2010</b>
	<b>US Dollars</b>	<b>US Dollars</b>
Favourable fuel price swap agreements	1,611,554	-

There was no outstanding fuel price swap agreement as at 31 December 2010.

**5 Critical accounting estimates, assumptions, and judgements**

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

**Aircraft maintenance under operating leases**

The Company has a commitment to maintain aircrafts under operating lease agreements, a provision is made throughout the lease term for the rectification obligations contained within the lease agreements. The provision is based on estimated future repair and maintenance costs of major airframe, certain engine maintenance checks and estimated one-off costs incurred at the end of the lease by charging to profit or loss according to the number of flying hours in each year.

**6 Capital risk management**

The Company's objectives when managing capital are to safeguard 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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

**7 Segment information**

The Company does not disclose the segment information because there is no significant business segment other than the provision of air transportation services.

**8 Cash and cash equivalents**

	<b>2011</b>	<b>2010</b>
	<b>Baht</b>	<b>Baht</b>
Cash on hand	6,370,496	20,342,732
Deposits held at call with banks	1,146,732,071	487,479,061
Short-term bank deposits	6,600,000	-
Bill of exchange with maturity of three months or less	200,000,000	-
Total cash and cash equivalents	<u>1,359,702,567</u>	<u>507,821,793</u>

The interest rate of deposits held at call with banks was 1.40% per annum (2010: 0.50% per annum).

As at 31 December 2011, interest rate of short-term bank deposits and bill of exchange with maturity of three months or less were 14.00% and 3.00% per annum, respectively (2010: nil).

**9 Short-term investment**

Movements in short-term investment are summarised as follows:

	<b>2011</b>	<b>2010</b>
	<b>Baht</b>	<b>Baht</b>
Opening net book amount	8,978,474	8,868,419
Interest received	141,805	110,055
Closing net book amount	<u>9,120,279</u>	<u>8,978,474</u>

The summary of short-term investment is as follows:

	<b>2011</b>	<b>2010</b>
	<b>Baht</b>	<b>Baht</b>
Fixed deposits with maturity of over than three months but within twelve months	<u>9,120,279</u>	<u>8,978,474</u>
Total short-term investment	<u>9,120,279</u>	<u>8,978,474</u>

The average interest rate of fixed deposits with maturity of over three months but within twelve months was 1.57% per annum (2010: 1.23% per annum).

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**10 Trade and other receivables, net**

	<b>2011</b>	<b>2010</b>
	<b>Baht</b>	<b>Baht</b>
Trade accounts receivable	155,797,194	81,207,688
<u>Less</u> Allowance for doubtful accounts	-	(2,868,378)
Trade accounts receivable, net	155,797,194	78,339,310
Accrued revenues	32,542,570	5,619,727
Other accounts receivable	3,495,432	26,614,437
Total trade and other receivables, net	<u>191,835,196</u>	<u>110,573,474</u>

Outstanding trade accounts receivable can be analysed by age as follows:

	<b>2011</b>	<b>2010</b>
	<b>Baht</b>	<b>Baht</b>
Up to 3 months	141,043,413	73,800,012
3-6 months	7,461,857	1,136,398
6-12 months	5,007,647	1,107,896
Over 12 months	2,284,277	5,163,382
	155,797,194	81,207,688
<u>Less</u> Allowance for doubtful accounts	-	(2,868,378)
	<u>155,797,194</u>	<u>78,339,310</u>

**11 General investment**

	<b>2011</b>	<b>2010</b>
	<b>Baht</b>	<b>Baht</b>
Opening net book amount	7,487,100	8,217,700
Decrease in investment	(557,600)	(730,600)
Closing net book amount	<u>6,929,500</u>	<u>7,487,100</u>

General investment of the Company is the investment in ordinary shares of Aeronautical Radio of Thailand Limited.

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**12 Leasehold improvements and equipment, net**

	Leasehold improvements Baht	Computers Baht	Furniture, fixtures & office equipment Baht	Operating equipment Baht	Motor vehicles Baht	Aircraft spare parts Baht	Assets under installation Baht	Total Baht
<b>At 1 January 2010</b>								
Cost	27,123,507	55,338,771	16,980,690	74,910,349	60,377,216	416,290,557	1,624,150	652,645,240
<u>Less</u> Accumulated depreciation	(15,518,788)	(38,156,880)	(12,777,879)	(45,774,378)	(25,931,599)	(226,519,014)	-	(364,678,538)
Net book amount	<u>11,604,719</u>	<u>17,181,891</u>	<u>4,202,811</u>	<u>29,135,971</u>	<u>34,445,617</u>	<u>189,771,543</u>	<u>1,624,150</u>	<u>287,966,702</u>
<b>For the year ended 31 December 2010</b>								
Opening net book amount	11,604,719	17,181,891	4,202,811	29,135,971	34,445,617	189,771,543	1,624,150	287,966,702
Additions	2,056,180	6,747,388	2,848,296	4,921,855	16,910,474	68,631,942	4,251,317	106,367,452
Disposals, net	-	-	-	-	(949,521)	-	-	(949,521)
Write-offs, net	-	(318)	(121)	(2)	-	-	-	(441)
Transfers	3,218,276	-	-	-	-	-	(3,218,276)	-
Depreciation charge	(5,023,544)	(7,157,015)	(2,102,097)	(12,606,857)	(12,925,822)	(78,925,034)	-	(118,740,369)
Closing net book amount	<u>11,855,631</u>	<u>16,771,946</u>	<u>4,948,889</u>	<u>21,450,967</u>	<u>37,480,748</u>	<u>179,478,451</u>	<u>2,657,191</u>	<u>274,643,823</u>
<b>At 31 December 2010</b>								
Cost	32,397,963	60,293,772	19,821,739	79,602,204	72,441,325	484,922,499	2,657,191	752,136,693
<u>Less</u> Accumulated depreciation	(20,542,332)	(43,521,826)	(14,872,850)	(58,151,237)	(34,960,577)	(305,444,048)	-	(477,492,870)
Net book amount	<u>11,855,631</u>	<u>16,771,946</u>	<u>4,948,889</u>	<u>21,450,967</u>	<u>37,480,748</u>	<u>179,478,451</u>	<u>2,657,191</u>	<u>274,643,823</u>

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**12 Leasehold improvements and equipment, net (Cont'd)**

	Leasehold improvements Baht	Computers Baht	Furniture, fixtures & office equipment Baht	Operating equipment Baht	Motor vehicles Baht	Aircraft spare parts Baht	Assets under installation Baht	Total Baht
<b>For the year ended</b>								
<b>31 December 2011</b>								
Opening net book amount	11,855,631	16,771,946	4,948,889	21,450,967	37,480,748	179,478,451	2,657,191	274,643,823
Additions	901,815	9,359,341	494,324	2,590,572	17,572,913	57,827,139	10,867,526	99,613,630
Disposals, net	(403,407)	(48,055)	(23,070)	(4)	(3,138,463)	-	-	(3,612,999)
Write-offs, net	-	-	-	-	-	(594,289)	(404,658)	(998,947)
Transfers	1,896,202	-	607,740	5,867,106	-	-	(8,371,048)	-
Depreciation charge	(4,920,977)	(6,808,833)	(2,022,420)	(10,394,290)	(14,319,159)	(28,246,080)	-	(66,711,759)
Closing net book amount	<u>9,329,264</u>	<u>19,274,399</u>	<u>4,005,463</u>	<u>19,514,351</u>	<u>37,596,039</u>	<u>208,465,221</u>	<u>4,749,011</u>	<u>302,933,748</u>
<b>At 31 December 2011</b>								
Cost	33,579,714	66,981,543	20,750,369	87,749,882	79,831,808	539,007,692	4,749,011	832,650,019
<u>Less</u> Accumulated depreciation	<u>(24,250,450)</u>	<u>(47,707,144)</u>	<u>(16,744,906)</u>	<u>(68,235,531)</u>	<u>(42,235,769)</u>	<u>(330,542,471)</u>	<u>-</u>	<u>(529,716,271)</u>
Net book amount	<u>9,329,264</u>	<u>19,274,399</u>	<u>4,005,463</u>	<u>19,514,351</u>	<u>37,596,039</u>	<u>208,465,221</u>	<u>4,749,011</u>	<u>302,933,748</u>

The leased assets included above, where the Company is a lessee under finance lease agreements, comprise motor vehicles, total cost of which is Baht 16.87 million and total accumulated depreciation of Baht 2.16 million (2010: total cost of Baht 7.56 million and total accumulated depreciation of Baht 5.26 million).

As at 31 December 2011, the gross carrying amount of fully depreciated leasehold improvements and equipment that are still in use totalling gross amount of Baht 98.85 million (2010: total gross amount of Baht 86.98 million).

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**13 Intangible assets, net**

	<b>Computer software Baht</b>	<b>Computer software under installation Baht</b>	<b>Total Baht</b>
<b>At 1 January 2010</b>			
Cost	21,669,021	3,546,380	25,215,401
<u>Less</u> Accumulated amortisation	(14,330,884)	-	(14,330,884)
Net book amount	<u>7,338,137</u>	<u>3,546,380</u>	<u>10,884,517</u>
<b>For the year ended 31 December 2010</b>			
Opening net book amount	7,338,137	3,546,380	10,884,517
Additions	9,916,534	4,766,753	14,683,287
Transfers	2,864,648	(2,864,648)	-
Amortisation charge	(4,444,984)	-	(4,444,984)
Closing net book amount	<u>15,674,335</u>	<u>5,448,485</u>	<u>21,122,820</u>
<b>At 31 December 2010</b>			
Cost	34,450,203	5,448,485	39,898,688
<u>Less</u> Accumulated amortisation	(18,775,868)	-	(18,775,868)
Net book amount	<u>15,674,335</u>	<u>5,448,485</u>	<u>21,122,820</u>
<b>For the year ended 31 December 2011</b>			
Opening net book amount	15,674,335	5,448,485	21,122,820
Additions	120,223	2,168,356	2,288,579
Write-offs and adjustments, net	(1,214)	(4,325,794)	(4,327,008)
Transfers	564,323	(564,323)	-
Amortisation charge	(4,823,576)	-	(4,823,576)
Closing net book amount	<u>11,534,091</u>	<u>2,726,724</u>	<u>14,260,815</u>
<b>At 31 December 2011</b>			
Cost	30,908,352	2,726,724	33,635,076
<u>Less</u> Accumulated amortisation	(19,374,261)	-	(19,374,261)
Net book amount	<u>11,534,091</u>	<u>2,726,724</u>	<u>14,260,815</u>

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**14 Other non-current assets**

	<b>Note</b>	<b>2011 Baht</b>	<b>2010 Baht</b>
Aircraft rental deposits	22.8	497,866,890	410,570,125
Fuel price swap deposits	22.8	15,775,250	16,824,800
Rental deposits		18,188,812	18,201,445
Other deposits		41,540,567	34,628,564
Total other non-current assets		<u>573,371,519</u>	<u>480,224,934</u>

**15 Short-term borrowings from a financial institution**

	<b>2011 Baht</b>	<b>2010 Baht</b>
Promissory notes	-	200,000,000
Total short-term borrowings from a financial institution	<u>-</u>	<u>200,000,000</u>

Short-term borrowings from a financial institution were four-month promissory notes with a local commercial bank which were due for repayment in 2011 and had interest rate at MLR (approximately 6.56% per annum). The Company used its fixed deposit account amounting to Baht 50 million as the collateral for these promissory notes. During the year ended 31 December 2011, the Company had already repaid these borrowings.

**16 Long-term borrowing from a financial institution**

Maturity of long-term borrowing from a financial institution is as follows:

	<b>2011 Baht</b>	<b>2010 Baht</b>
Within 1 year	486,000,000	-
Over 1 year but less than 5 years	13,163,251	-
	<u>499,163,251</u>	<u>-</u>

Movements in long-term borrowing from a financial institution are summarised as follows:

	<b>2011 Baht</b>	<b>2010 Baht</b>
Opening net book value	-	-
Addition during the year	961,163,251	-
Loan repayments	(462,000,000)	-
Closing net book value	<u>499,163,251</u>	<u>-</u>

On 25 April 2011, the Company entered into a borrowing agreement with a local commercial bank with respect to the credit facility of Baht 970 million in order to repay debts to related parties. This borrowing bears an interest at the rate of MLR - 1% per annum (approximately 6.65% per annum), with a repayment term within 2 years.

This borrowing is secured by a fixed deposit account amounting to Baht 50 million. In addition, the Company has to maintain deposits at bank not less than amount of Baht 500 million over the borrowing periods.

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**17 Employee benefit obligations**

Movements in the retirement benefit obligations over the year are as follows:

	<b>Note</b>	<b>2011 Baht</b>
Opening book amounts as at 1 January 2011		-
Adjustment to deficits brought forward as at 1 January 2011	3.2	63,083,056
Current service costs		17,014,908
Interest costs		2,654,325
Actuarial (gain) loss		-
Benefits paid		-
Closing book amount as at 31 December 2011		<u>82,752,289</u>

The amounts recognised in profit or loss are as follows:

	<b>2011 Baht</b>
Current service costs	17,014,908
Interest costs	2,654,325
Total, included in staff costs	<u>19,669,233</u>

The principal actuarial assumptions used are as follows:

Discount rate	% per annum	4.16
Future salary increase rate	% per annum	5.34 - 7.00
Resignation rate	% per annum	0.00 - 11.00

**18 Share capital**

	<b>Number of shares Shares</b>	<b>Ordinary shares Baht</b>	<b>Premium on share capital Baht</b>	<b>Total Baht</b>
At 1 January 2010	40,000,000	400,000,000	1,227,629	401,227,629
Issue of shares	-	-	-	-
At 31 December 2010	40,000,000	400,000,000	1,227,629	401,227,629
Issue of shares	-	-	-	-
At 31 December 2011	<u>40,000,000</u>	<u>400,000,000</u>	<u>1,227,629</u>	<u>401,227,629</u>

The total authorised number of ordinary shares is 40,000,000 shares (2010: 40,000,000 shares) with a par value of Baht 10 per share (2010: Baht 10 per share). All issued shares are fully paid.

**19 Revenues**

Revenues from sales and services are as follows:

	<b>2011 Baht</b>	<b>2010 Baht</b>
Passenger revenues	13,007,455,688	10,260,308,502
Baggage handling and other service fees	2,805,257,116	1,538,937,880
In-flight revenues	185,490,493	135,270,948
Freight revenues	159,394,270	164,208,736
Total revenues	<u>16,157,597,567</u>	<u>12,098,726,066</u>



**20 Expense by nature**

The following expenditure items, classified by nature, have been charged in arriving at the operating profit:

	<u>Notes</u>	<u>2011 Baht</u>	<u>2010 Baht</u>
Depreciation and amortisation	12,13	71,535,335	123,185,353
Staff costs		1,433,667,587	1,122,431,304
Fuel costs		6,405,837,534	3,973,965,890
Aircraft rental	22.2	2,727,706,220	2,200,591,175
Repair and maintenance		1,101,464,553	964,881,872
Ramp and airport operations costs		1,366,458,157	1,162,381,508
Estimated costs of aircraft redelivery before maturities (Adjusted to actual)	22.2	-	(114,276,519)

**21 Earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of paid-up ordinary shares outstanding during the year.

	<u>2011</u>	<u>2010</u>
Net profit attributable to shareholders (Baht)	2,020,058,659	2,011,036,040
Weighted average number of paid-up ordinary shares outstanding during the year (Shares)	40,000,000	40,000,000
Basic earnings per share (Baht)	50.50	50.28

The Company does not have diluted ordinary shares as at 31 December 2011 and 2010.

**22 Related party transactions**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

**22 Related party transactions (Cont'd)**

Related party transactions were carried out on conditions as follows:

	<u>Pricing policies</u>
- Interest income	At a mutual agreed rate and equivalent to interest expenses rate paid to other related parties.
- Share of loss (gain) on fuel price swap agreements	Based on fuel consumption ratio.
- Chargeable staff costs for shared accounting services	Actual staff costs allocated by number of aircrafts.
- Aircraft rental	For aircrafts owned by AirAsia Berhad, rental charge is based on AirAsia Berhad's cost of capital. For sub-leased aircrafts, rental charge is based on master agreement that AirAsia Group has leased from a third party adjust with some assumptions to reflect The Company's credit risk profile.
- Aircraft repair and maintenance	Based on the average of the contractual amount between AirAsia Berhad and the vendor, adjusted for annual escalation and stepped incremental rates under the master agreement.
- Purchase of merchandises and equipment	At the purchase price.
- Management fee expenses	At agreement price with AirAsia Berhad.
- Booking fee expenses	At agreement price which approximates the master agreement that AirAsia Group has agreed with third parties.
- Interest expenses	At a rate equivalent to AirAsia Group's borrowing rate.

The following significant transactions were carried out with related parties:

**22.1) Income**

	<u>2011</u> <u>Baht</u>	<u>2010</u> <u>Baht</u>
<b>Interest income</b>		
Other related parties	122,978,108	42,072,727
A director	1,310,076	5,167,062
	<u>124,288,184</u>	<u>47,239,789</u>

**22.2) Purchases of goods and services**

	<u>2011</u> <u>Baht</u>	<u>2010</u> <u>Baht</u>
<b>Share of gain from fuel price swap agreements</b>		
Other related party	<u>(13,220,978)</u>	<u>(76,341,665)</u>
<b>Chargeable staff costs for shared accounting services</b>		
Other related parties	<u>(33,845,696)</u>	<u>(34,999,296)</u>
<b>Aircraft rental</b>		
Other related party	<u>2,727,706,220</u>	<u>2,200,591,175</u>
<b>Aircraft repair and maintenance</b>		
Other related party	<u>997,958,217</u>	<u>805,619,368</u>

22 Related party transactions (Cont'd)

The following significant transactions were carried out with related parties: (Cont'd)

22.2) Purchases of goods and services (Cont'd)

	<b>2011 Baht</b>	<b>2010 Baht</b>
<b>Purchase of merchandises and equipment</b>		
Other related party	53,358,495	91,322,792
<b>Management fee expenses</b>		
Other related party	14,770,940	15,277,972
<b>Booking fee expenses</b>		
Other related party	57,181,533	36,747,894
<b>Estimated costs of aircraft redelivery before maturities (Adjusted to actual)</b>		
Other related party	-	(114,276,519)
<b>Interest expenses</b>		
Other related party	148,644,940	242,841,258
<b>Aircraft redelivery agreement</b>		

During the year 2009, the Company entered into aircraft redelivery agreement with AirAsia (Mauritius) Limited, a lessor, who is a related party to redeliver Boeing aircrafts before the end of leasing periods with an intention to enter into new aircraft rental agreements to save repair and maintenance costs of the aircrafts. The Company's management estimated the amount of costs of aircraft redelivery before maturities amounting to Baht 547.00 million and recorded these costs as operating costs during the years 2007, 2008 and 2009. However, management has made a subsequent adjustment for a difference between the estimation and the actual amount of Baht 114.28 million during the year 2010. The difference was due to the fact that the Company could skip some technical checking stages during redelivery process.

22.3) Management remunerations

Key management includes directors (executive and non-executive). The compensation paid or payable to management for employee services is shown below:

	<b>2011 Baht</b>	<b>2010 Baht</b>
Salaries and other short-term employee benefits	46,107,099	28,787,939
Retirement benefits	2,096,249	-
	48,203,348	28,787,939

**22 Related party transactions (Cont'd)**

The following significant transactions were carried out with related parties: (Cont'd)

**22.4) Passenger revenues and expenses received and paid on behalf**

	<b>2011</b>	<b>2010</b>
	<b>Baht</b>	<b>Baht</b>
Passenger revenues received on behalf of the Company		
by other related parties	3,378,937,833	3,864,175,468
Cash received on behalf of other related party	459,037,583	596,184,467
Expenses paid on behalf of the Company by other related parties	715,424,322	673,865,728
Advance payments on behalf of other related parties	429,660,570	143,434,144

Outstanding balances arising from receivables, payables, short-term loan to a director and other non-current assets are summarised as follows:

**22.5) Amounts due from related parties**

	<b>2011</b>	<b>2010</b>
	<b>Baht</b>	<b>Baht</b>
<b>Amounts due from related parties</b>		
Other related parties	<u>275,965,053</u>	<u>2,732,185,031</u>

Amounts due from related parties have been charged the interest at 6.00% per annum (2010: 6.00% per annum).

**22.6) Amounts due to a related party**

	<b>2011</b>	<b>2010</b>
	<b>Baht</b>	<b>Baht</b>
<b>Amounts due to a related party</b>		
Other related party	<u>361,092,140</u>	<u>4,161,728,551</u>

Amounts due to a related party are mainly denominated in US Dollar. Amounts due to a related party have been charged the interest at 6.00% per annum (2010: 6.00% per annum).

**22.7) Short-term loan to a director**

	<b>2011</b>	<b>2010</b>
	<b>Baht</b>	<b>Baht</b>
<b>Short-term loan to a director</b>		
Beginning balance	105,167,062	187,000,000
Increase during the year	63,041,200	63,400,000
Received during the year	(163,041,200)	(150,400,000)
Increase from interest receivable during the year	1,310,076	5,167,062
Interest received during the year	<u>(6,477,138)</u>	<u>-</u>
Ending balance	<u>-</u>	<u>105,167,062</u>

As at 31 December 2010, short-term loan to a director was unsecured and denominated in Thai Baht, carried interest at 1.50% per annum. The loan was fully settled in 2011.

**22 Related party transactions (Cont'd)**

Outstanding balances arising from receivables, payables, short-term loan to a director and other non-current assets are summarised as follows: (Cont'd)

**22.8) Other non-current assets**

	<b>2011</b>	<b>2010</b>
	<b>Baht</b>	<b>Baht</b>
<b>Aircraft rental deposits</b>		
Other related party	497,866,890	410,570,125
<b>Fuel price swap deposits</b>		
Other related party	15,775,250	16,824,800

**23 Commitments**

**Operating lease commitments**

As at 31 December, the Company had outstanding commitments in respect of the non-cancellable office leases and others as follows:

	<b>2011</b>	<b>2010</b>
	<b>Baht</b>	<b>Baht</b>
Not later than 1 year	45,244,003	49,773,856
Later than 1 year but not later than 5 years	34,532,449	53,879,304
<b>Total</b>	<b>79,776,452</b>	<b>103,653,160</b>

As at 31 December 2011, the Company had outstanding commitments in respect of non-cancellable aircraft lease agreements made with AirAsia (Mauritius) Limited which covered rental and insurance agreements of the 22 aircrafts (2010: 19 aircrafts) as follows:

	<b>2011</b>		<b>2010</b>	
	<b>Rental</b>	<b>Insurance</b>	<b>Rental</b>	<b>Insurance</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
Not later than 1 year	89,700,977	805,951	59,666,136	850,848
Later than 1 year but not later than 5 years	116,267,650	-	58,206,682	-
Later than 5 years	46,039,785	-	-	-
<b>Total</b>	<b>252,008,412</b>	<b>805,951</b>	<b>117,872,818</b>	<b>850,848</b>

**24 Guarantees**

As at 31 December 2011, there was a commitment related to guarantees issued by bank in respect of pilot trainees' loans in accordance with its professional pilot courses amounting to Baht 26.9 million (31 December 2010: nil). Normally, a guarantee is terminated when the pilot trainee earns a commercial pilot's license and is assigned as a co-pilot or when the pilot trainee settles all outstanding debts with the bank. However, the Company can fully reclaim the stated liabilities from the pilot trainees' guarantors, who have pledged guarantees with the Company.

**25 Letters of guarantee**

As at 31 December 2011, the Company had commitments relating to guarantees issued by banks in respect of ground handling, technical support, and other flight operation activities in the ordinary course of business at amount of Baht 5.6 million, USD 90,000 and India Rupee 27.8 million (2010: Baht 7.6 million, USD 90,000 and India Rupee 27.8 million). The Company used its fixed-deposit account at amount of India Rupee 27.8 million (2010: India Rupee 27.8 million) as the collateral for these letters of guarantee.

**26 Subsequent events**

On 1 January 2012, the Company has entered into addendums of 20 aircraft specific lease agreements with a related company for extension of their specific lease term from 3, 5 and 8 years to 12 years from the date of aircraft delivery. The terms and conditions of these addendums are effective from 1 January 2012.

At the Extraordinary Shareholders' Meeting of the Company held on 15 February 2012, the shareholders approved an increase in registered share capital of the Company from 40,000,000 shares to 43,555,560 shares by issuing additional ordinary shares of 3,555,560 shares with a par value of Baht 10 each in order to offer for the existing shareholders.