

**THAI AIRASIA COMPANY LIMITED**

**STATUTORY FINANCIAL STATEMENTS**

**31 DECEMBER 2014**

## **AUDITOR'S REPORT**

To the Shareholders of Thai AirAsia Company Limited

I have audited the accompanying financial statements of Thai AirAsia Company Limited, which comprise the statement of financial position as at 31 December 2014, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



*Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thai AirAsia Company Limited as at 31 December 2014, and its results of operations and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

A handwritten signature in blue ink, appearing to read 'Chanchai Chaiprasit', with a large flourish at the end.

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

Bangkok  
23 February 2015

**Thai AirAsia Company Limited**  
**Statement of Financial Position**  
**As at 31 December 2014**

	<u>Notes</u>	<u>2014</u> <u>Baht</u>	<u>2013</u> <u>Baht</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	4,783,432,668	1,956,554,421
Cash at financial institutions pledged as security		6,109,410	13,356,900
Short-term investments	8	1,492,718,615	3,448,628,170
Investments in private funds	9	10,480,236	1,032,551,182
Trade and other receivables, net	10	631,014,664	723,504,686
Amounts due from related parties	23.4	68,162,932	87,240,764
Inventories		75,603,159	68,967,914
Prepaid expenses		270,021,843	342,969,100
Value added tax receivable		86,822,474	78,686,650
Other current assets		39,437,657	40,131,847
<b>Total current assets</b>		<u>7,463,803,658</u>	<u>7,792,591,634</u>
<b>Non-current assets</b>			
Cash at financial institutions pledged as security		171,192,685	339,189,114
Long-term investments	11	1,297,809,100	1,310,548,600
Aircraft, leasehold improvements and equipments, net	12	15,932,386,431	10,835,933,219
Intangible assets, net	13	11,459,936	11,959,429
Other non-current assets	14	812,677,583	817,647,640
<b>Total non-current assets</b>		<u>18,225,525,735</u>	<u>13,315,278,002</u>
<b>Total assets</b>		<u><u>25,689,329,393</u></u>	<u><u>21,107,869,636</u></u>

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

**Thai AirAsia Company Limited**  
**Statement of Financial Position (Cont'd)**  
**As at 31 December 2014**

---

	<u>Notes</u>	<u>2014</u> <u>Baht</u>	<u>2013</u> <u>Baht</u>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Trade accounts payable		175,170,833	152,951,492
Other accounts payable		192,155,392	124,132,639
Amounts due to related parties	23.5	472,709,254	506,830,215
Deferred revenues		4,629,227,573	4,299,163,449
Accrued expenses		1,371,431,680	1,390,023,204
Current portion of finance lease liabilities	15	959,006,292	615,065,684
Income tax payable		-	150,473,336
Other current liabilities		<u>61,326,908</u>	<u>24,363,700</u>
<b>Total current liabilities</b>		<u>7,861,027,932</u>	<u>7,263,003,719</u>
<b>Non-current liabilities</b>			
Finance lease liabilities	15	11,117,961,859	7,545,773,009
Deferred tax liabilities, net	16	351,812,236	309,747,735
Employee benefit obligations	18	<u>157,547,925</u>	<u>132,997,460</u>
<b>Total non-current liabilities</b>		<u>11,627,322,020</u>	<u>7,988,518,204</u>
<b>Total liabilities</b>		<u>19,488,349,952</u>	<u>15,251,521,923</u>

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

---

**Thai AirAsia Company Limited**  
**Statement of Financial Position (Cont'd)**  
**As at 31 December 2014**

---

	<u>Note</u>	<u>2014</u> <u>Baht</u>	<u>2013</u> <u>Baht</u>
<b>Liabilities and shareholders' equity (Cont'd)</b>			
<b>Shareholders' equity</b>			
Share capital			
Authorised share capital			
Ordinary shares, 43,555,560 shares of par Baht 10 each	19	<u>435,555,600</u>	<u>435,555,600</u>
Issued and paid-up share capital			
Ordinary shares, 43,555,560 shares of paid-up Baht 10 each		435,555,600	435,555,600
Premium on share capital		2,628,786,469	2,628,786,469
Retained earnings		<u>3,136,637,372</u>	<u>2,792,005,644</u>
<b>Total shareholders' equity</b>		<u>6,200,979,441</u>	<u>5,856,347,713</u>
<b>Total liabilities and shareholders' equity</b>		<u>25,689,329,393</u>	<u>21,107,869,636</u>

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

---

**Thai AirAsia Company Limited**  
**Statement of Comprehensive Income**  
**For the year ended 31 December 2014**

	<b>Notes</b>	<b>2014 Baht</b>	<b>2013 Baht</b>
Revenues from sales and services	20	25,355,514,917	23,485,042,536
Cost of sales of goods and services		<u>(23,694,675,817)</u>	<u>(19,907,712,141)</u>
<b>Gross profit</b>		1,660,839,100	3,577,330,395
Net gain on exchange rates		126,032,452	258,149,650
Other income		<u>793,158,827</u>	<u>669,876,115</u>
<b>Profit before expenses</b>		2,580,030,379	4,505,356,160
Selling expenses		(1,180,060,295)	(1,147,762,163)
Administrative expenses		<u>(747,121,356)</u>	<u>(584,699,533)</u>
<b>Profit before finance costs and income tax</b>		652,848,728	2,772,894,464
Finance costs		<u>(312,758,626)</u>	<u>(170,971,996)</u>
<b>Profit before income tax</b>		340,090,102	2,601,922,468
Income tax	17	<u>(4,806,520)</u>	<u>(654,253,760)</u>
<b>Net profit for the year</b>		<u>335,283,582</u>	<u>1,947,668,708</u>
<b>Other comprehensive income</b>			
Actuarial gain on employee benefit obligations	18	11,685,182	15,929,471
Income tax relating to components of other comprehensive expense for the year	17	<u>(2,337,036)</u>	<u>(3,185,894)</u>
<b>Other comprehensive income for the year</b>		<u>9,348,146</u>	<u>12,743,577</u>
<b>Total comprehensive income for the year</b>		<u><u>344,631,728</u></u>	<u><u>1,960,412,285</u></u>
<b>Earnings per share</b>			
Basic earnings per share	22	<u><u>7.70</u></u>	<u><u>44.72</u></u>

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

**Thai AirAsia Company Limited**  
**Statement of Changes in Shareholders' Equity**  
**For the year ended 31 December 2014**

	<b>Issued and paid-up share capital Baht</b>	<b>Premium on share capital Baht</b>	<b>Retained earnings Baht</b>	<b>Total Baht</b>
<b>Opening balance as at 1 January 2013</b>	435,555,600	2,628,786,469	831,593,359	3,895,935,428
Total comprehensive income for the year	-	-	1,960,412,285	1,960,412,285
<b>Closing balance as at 31 December 2013</b>	<u>435,555,600</u>	<u>2,628,786,469</u>	<u>2,792,005,644</u>	<u>5,856,347,713</u>
<b>Opening balance as at 1 January 2014</b>	435,555,600	2,628,786,469	2,792,005,644	5,856,347,713
Total comprehensive income for the year	-	-	344,631,728	344,631,728
<b>Closing balance as at 31 December 2014</b>	<u>435,555,600</u>	<u>2,628,786,469</u>	<u>3,136,637,372</u>	<u>6,200,979,441</u>

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



**Thai AirAsia Company Limited**  
**Statement of Cash Flows**  
**For the year ended 31 December 2014**

	<b>Notes</b>	<b>2014 Baht</b>	<b>2013 Baht</b>
<b>Cash flows from operating activities</b>			
Profit before income tax		340,090,102	2,601,922,468
Adjustments for:			
Depreciation	12	798,709,171	369,832,817
Amortisation	13	5,487,675	4,433,844
Amortisation of prepaid expenses		120,654,811	111,885,204
(Gain) loss on disposals and write-offs of leasehold improvements and equipment		(255,597)	647,460
Employee benefit expenses	18	36,235,647	38,428,899
Net loss on exchange rates		48,246,023	85,855,478
Net gain on fair value adjustment in investments in private funds	9	(13,359,792)	(32,551,182)
Finance costs		312,758,626	170,971,996
Interest income		(168,294,715)	(161,771,105)
		<u>1,480,271,951</u>	<u>3,189,655,879</u>
<b>Changes in operating assets and liabilities:</b>			
- Trade and other receivables		91,388,290	(328,871,752)
- Amounts due from related parties		23,297,623	127,600,550
- Inventories		(6,635,245)	(10,622,716)
- Prepaid expenses		(47,707,554)	(220,995,159)
- Value added tax receivable		(8,135,824)	20,602,427
- Other current assets		6,276,592	(26,695,670)
- Other non-current assets		4,970,057	(144,366,633)
- Trade accounts payable		22,219,341	81,962,723
- Other accounts payable		68,022,753	18,141,000
- Amounts due to related parties		(34,120,961)	79,104,745
- Deferred revenues		330,064,124	717,003,064
- Accrued expenses		(34,396,043)	783,458,847
- Other current liabilities		36,963,208	5,198,883
		<u>1,932,478,312</u>	<u>4,291,176,188</u>
Cash generated from operating activities		1,932,478,312	4,291,176,188
Interest received		34,057,354	24,880,543
Income tax paid		(121,134,793)	(291,854,734)
Employee benefit paid	18	-	(1,348,352)
		<u>1,845,400,873</u>	<u>4,022,853,645</u>
Net cash generated from operating activities		<u>1,845,400,873</u>	<u>4,022,853,645</u>

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

**Thai AirAsia Company Limited**  
**Statement of Cash Flows (Cont'd)**  
**For the year ended 31 December 2014**

	<u>Notes</u>	<u>2014</u> <u>Baht</u>	<u>2013</u> <u>Baht</u>
<b>Cash flows from investing activities</b>			
Decrease (increase) in cash at financial institutions pledged as security		175,243,919	(327,448,453)
Decrease (increase) in short-term investments		1,955,909,555	(1,152,727,210)
Decrease (increase) in investments in private funds	9	1,035,430,738	(1,000,000,000)
Increase in long-term investments	11	(1,715,500)	(1,301,779,300)
Proceeds from disposals of leasehold improvements and equipment		1,057,329	7,129,506
Payments for aircraft, leasehold improvements and equipment		(1,266,087,577)	(1,903,710,405)
Payments for intangible assets	13	(4,988,182)	(4,582,938)
Interest received		130,521,985	117,924,293
Net cash generated from (used in) investing activities		<u>2,025,372,267</u>	<u>(5,565,194,507)</u>
<b>Cash flows from financing activities</b>			
Repayments of finance lease		(704,485,139)	(269,439,143)
Interest paid		(326,277,187)	(166,777,116)
Net cash used in financing activities		<u>(1,030,762,326)</u>	<u>(436,216,259)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		2,840,010,814	(1,978,557,121)
Cash and cash equivalents at the beginning of the year		1,956,554,421	3,847,787,525
Exchange gain (loss) on cash and cash equivalents		(13,132,567)	87,324,017
<b>Cash and cash equivalents at the end of the year</b>		<u><u>4,783,432,668</u></u>	<u><u>1,956,554,421</u></u>

**Non-cash transactions**

Significant non-cash transactions during the years ended 31 December 2014 and 2013 are as follows:

Purchases of aircraft spare parts which have not been paid	14,430,535	50,396,888
Purchases of aircraft and aircraft engine under finance lease agreements	4,475,499,524	6,135,366,989

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:

222, Don Mueang International Airport, 3<sup>rd</sup> floor, Central Office Building, Room no. 3200, Vibhavadee Rangsit Road, Sanam Bin district, Don Mueang, Bangkok, 10210.

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

On 4 May 2012, the Company was changed from a joint venture of Asia Aviation Public Company Limited, incorporated in Thailand and AirAsia Investment Ltd., incorporated in Malaysia to a subsidiary of Asia Aviation Public Company Limited in accordance with “Amended and Restated Shareholders’ Agreement” between Asia Aviation Public Company Limited and AirAsia Investment Ltd., which own 55% and 45% of the Company’s shares, respectively.

The financial statements were authorised for issue by the Board of Directors on 23 February 2015.

## **2 Accounting policies**

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

### **2.1 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.

The financial statements have been prepared under the historical cost convention, except as 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 4.

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.

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

**2.2 Revised accounting standards, financial reporting standards, and related interpretations**

2.2.1 Revised accounting standards, financial reporting standards, and related interpretations which are effective on 1 January 2014 and are relevant to the Company are as follows:

TAS 1 (revised 2012)	Presentation of financial statements
TAS 7 (revised 2012)	Statement of cash flows
TAS 12 (revised 2012)	Income taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee benefits
TAS 21 (revised 2012)	The effects of changes in foreign exchange rates
TAS 24 (revised 2012)	Related party disclosures
TAS 34 (revised 2012)	Interim financial reporting
TAS 36 (revised 2012)	Impairment of assets
TAS 38 (revised 2012)	Intangible assets
TFRS 8 (revised 2012)	Operating segments
TFRIC 13	Customer loyalty programmes

The Company's management has assessed and determined that the revised accounting standards, financial reporting standards, and related interpretations do not have impact to the financial statement being presented, except TFRIC 13 which clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement, and the consideration received or receivable from the customer is allocated between the components of the arrangement using fair values. However, the management assessed that impact is immaterial to the financial statements.

2.2.2 Revised accounting standards, financial reporting standards, and related interpretations which are effective on 1 January 2015. These standards are relevant to the Company and are not early adopted:

a) Accounting standards, financial reporting standards and interpretations that have significant changes:

TAS 1 (revised 2014)	Presentation of financial statements
TAS 16 (revised 2014)	Property, plant and equipment
TAS 19 (revised 2014)	Employee benefits
TAS 27 (revised 2014)	Separate financial statements
TAS 34 (revised 2014)	Interim financial reporting
TFRS 13	Fair value measurement

## **2 Accounting policies (Cont'd)**

### **2.2 New financial reporting standards and revised financial reporting standards (Cont'd)**

2.2.2 Revised accounting standards, financial reporting standards, and related interpretations which are effective on 1 January 2015. These standards are relevant to the Company and are not early adopted: (Cont'd)

- a) Accounting standards, financial reporting standards and interpretations that have significant changes: (Cont'd)

TAS 1 (revised 2014), the main change is that a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

TAS 16 (revised 2014) indicates that spare part, stand-by equipment and servicing equipment are recognised as PPE when they meet the definition of PPE. Otherwise, such items are classified as inventory.

TAS 19 (revised 2014), the key changes are (a) actuarial gains and losses are renamed 'remeasurements' and will be recognised immediately in 'other comprehensive income' (OCI). Actuarial gains and losses will no longer be deferred using the corridor approach or recognised in profit or loss; and (b) past-service costs will be recognised in the period of a plan amendment; unvested benefits will no longer be spread over a future-service period.

TAS 27 (revised 2014) provides the requirements relating to separate financial statements.

TAS 34 (revised 2014), the key change is the disclosure requirements for operating segment. An entity shall disclose information of a measure of total assets and liabilities for a particular reportable segment if such amounts are regularly provided to the chief operating decision maker and if there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

TFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across TFRSs.

The Company is yet to assess the full impact of these revised accounting standards, financial reporting standards, and related interpretations.

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

**2.2 New financial reporting standards and revised financial reporting standards (Cont'd)**

2.2.2 Revised accounting standards, financial reporting standards, and related interpretations which are effective on 1 January 2015. These standards are relevant to the Company and are not early adopted: (Cont'd)

b) Accounting standards, financial reporting standards and interpretations that have minor changes:

TAS 2 (revised 2014)	Inventories
TAS 7 (revised 2014)	Statement of cash flows
TAS 8 (revised 2014)	Accounting policies, changes in accounting estimates and errors
TAS 10 (revised 2014)	Events after the reporting period
TAS 12 (revised 2014)	Income taxes
TAS 17 (revised 2014)	Leases
TAS 18 (revised 2014)	Revenue
TAS 21 (revised 2014)	The effects of changes in foreign exchange rates
TAS 24 (revised 2014)	Related party disclosures
TAS 26 (revised 2014)	Accounting and reporting by retirement benefit plans
TAS 33 (revised 2014)	Earnings per share
TAS 36 (revised 2014)	Impairment of assets
TAS 37 (revised 2014)	Provisions, contingent liabilities and contingent assets
TAS 38 (revised 2014)	Intangible assets
TFRS 8 (revised 2014)	Operating segments
TSIC 25 (revised 2014)	Income taxes - changes in the tax status of an entity or its shareholders
TSIC 27 (revised 2014)	Evaluating the substance of transactions involving the legal form of a lease
TFRIC 10 (revised 2014)	Interim financial reporting and impairment
TFRIC 13 (revised 2014)	Customer loyalty programmes

The Company's management has assessed and determined that the revised accounting standards, financial reporting standards, and interpretations will not have impact to the company financial statements being presented.

## **2 Accounting policies (Cont'd)**

### **2.3 Foreign currency translation**

#### **(a) Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Thai Baht, which is the Company's functional and presentation currency.

#### **(b) 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 the profit or loss in the statement of comprehensive income.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit and loss in the statement of comprehensive income, any exchange component of that gain or loss is recognised in profit and loss in the statement of comprehensive income.

### **2.4 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 Board of Directors that make strategic decisions.

### **2.5 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.

## **2 Accounting policies (Cont'd)**

### **2.6 Investments in private funds**

Investments in private funds comprise fixed deposits, government bonds and debt instruments which are classified as trading investments. The classification is dependent on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Trading investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are included in current assets.

The investments are initially recognised at cost, which is equal to the fair value of consideration paid plus transaction cost.

Trading investments are subsequently measured at fair value. The fair value of investments is based on quoted bid price at the close of business on the statement of financial position date by reference to the Stock Exchange of Thailand and the Thai Bond Dealing Centre. The unrealised gains and losses of trading investments are recognised as profit or loss in the statement of comprehensive income.

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

### **2.7 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 statement of comprehensive income within administrative expenses.



## **2 Accounting policies (Cont'd)**

### **2.8 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.

### **2.9 Investments**

Investments are classified into the following two categories: (1) held-to-maturity investments; and (2) general investments. The classification is dependent on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

1. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the statement of financial position date which are classified as current assets.
2. Investments in non-marketable equity securities are classified as general investments.

All categories of investment are initially recognised at cost, which is equal to the fair value of consideration paid plus transaction cost.

Held-to-maturity investments are carried at amortised cost using the effective yield method less impairment loss.

General investments are carried at cost less impairment loss.

## **2 Accounting policies (Cont'd)**

### **2.9 Investments (Cont'd)**

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 the statement of comprehensive income.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss. When disposing of part of the Company's holding of a 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.

### **2.10 Aircraft, leasehold improvements and equipment**

Aircraft, 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 statement of comprehensive income 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:

Aircraft and aircraft engine	5 - 25 years
Aircraft spare parts	10 years
Leasehold improvements	5 years
Computers	5 years
Furniture, fixtures and office equipment	5 years
Operating equipment	5 years
Motor vehicles	5 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 statement of comprehensive income.

## **2 Accounting policies (Cont'd)**

### **2.11 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.

### **2.12 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 statement of comprehensive income 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 statement of comprehensive income 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.

### **2.13 Employee benefits**

#### **2.13.1 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 prior and current periods. The Company's contributions to the provident fund are charged to statement of comprehensive income in the year to which they relate.

## **2 Accounting policies (Cont'd)**

### **2.13 Employee benefits (Cont'd)**

#### **2.13.2 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 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.

#### **2.14 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 asset but only when the reimbursement is virtually certain.

#### **2.15 Share capital**

Ordinary shares are classified as equity.

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

## **2 Accounting policies (Cont'd)**

### **2.16 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.

## **3 Financial risk management**

### **3.1 Financial risk factors**

The Company's activities expose them 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 3.2).

#### **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, amounts due to related parties and finance lease liabilities.

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 uses forward foreign exchange contract to hedge its exposure to foreign currency risk for fixed deposits (Note 3.2).

### **3 Financial risk management (Cont'd)**

#### **3.1 Financial risk factors (Cont'd)**

##### **Interest rate risk**

The Company's interest rate risk arises from finance lease liabilities and amounts due to related parties. Finance lease liabilities issued at variable rates and amounts due to related parties issued at fixed rate. The Company uses interest rate swap agreement as a risk management instrument to manage on the fluctuation of future interest rate of finance lease liabilities (Note 3.2).

##### **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 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.

#### **3.2 Accounting for derivative financial instruments and hedging activities**

Derivative financial instruments, which the Company used to manage risk, comprise fuel price swap agreements and forward foreign exchange contract.

##### **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 statement of comprehensive income as a component of operating costs when they incur.

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

**3.2 Accounting for derivative financial instruments and hedging activities (Cont'd)**

**Forward foreign exchange contracts**

The Company entered into forward foreign exchange contracts with a local financial institution in order to hedge the foreign exchange risk relating to fixed deposits. As at 31 December 2014, the outstanding contracts due for the settlement dated 10 March 2015 and 29 June 2015 (As at 31 December 2013: 10 March 2014 and 30 June 2014) are as follows:

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
The amount to be received		
US Dollars 15.14 million at rate Baht 32.49 per US Dollar 1	-	491,715,277
US Dollars 20.23 million at rate Baht 32.90 per US Dollar 1	-	665,694,448
US Dollars 15.14 million at rate Baht 32.24 per US Dollar 1	488,245,471	-
US Dollars 10.10 million at rate Baht 33.14 per US Dollar 1	334,524,996	-

**Interest rate swap agreement**

The Company entered into the interest rate swap agreement in order to use it as a risk management instrument to manage on the fluctuation of future interest rate of financial lease liabilities by changing from floating interest rate to fixed interest rate under the interest rate swap agreement. Under the interest rate swap agreement, the Company agreed to exchange the difference between fixed rate and floating rate which are calculated by reference to the agreed notional principal amounts. As at 31 December 2014, the notional principal from the contract was amounting to Baht 1,090 million (2013: Nil), the fixed interest rates 5.09% and the floating interest rates was THBFIX1M plus 2.20% (2013: Nil).

Interest rate swap agreement is due for exchange of the differences in interest amount every month.

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

**3.3 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>2014</b>	<b>2013</b>
	<b>US Dollars</b>	<b>US Dollars</b>
	<hr/>	<hr/>
Favourable (unfavourable) fuel price swap agreements	(27,322,704)	309,928

**Forward foreign exchange contracts**

The net fair value of forward foreign exchange contracts at the statement of financial position date is as follows:

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
	<hr/>	<hr/>
Unfavourable forward foreign exchange contracts	(13,115,208)	(9,893,762)

The fair value of the forward foreign exchange contract has been calculated (using rates quoted by the counterparty to the contract) as if the contract was terminated at the statements of financial position date.

**Interest rate swap agreement**

The net fair value of interest rate swap agreement at the statement of financial position date is as follows:

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
	<hr/>	<hr/>
Unfavourable interest rate swap agreement	(25,340,152)	-



#### **4 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 aircraft 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 statement of comprehensive income according to the number of flying hours in each year.

##### **Estimated useful lives and residual values of aircraft frames and engines**

The Company reviews annually the estimated useful lives and residual values of aircraft airframes and engines based on key factors concerned such as business plans 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.

#### **5 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.

In order to obtain the promotional privileges from the Board of Investment, the Company has to maintain minimum capital investment as specified in each certificate.

**Thai AirAsia Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

---

**6 Segment information**

**Financial information by business segments**

	<b>2014</b>		<b>Total Baht</b>
	<b>Scheduled flight operations Baht</b>	<b>Charter flight operations Baht</b>	
Revenues from sales and services	24,179,617,929	1,175,896,988	25,355,514,917
Profit (loss) from operation	(429,501,229)	163,158,678	(266,342,551)
Net gain on exchange rates			126,032,452
Other income			793,158,827
Finance costs			(312,758,626)
Profit before income tax			340,090,102
Income tax			(4,806,520)
Net profit for the year			<u>335,283,582</u>
Total assets			25,689,329,393

	<b>2013</b>		<b>Total Baht</b>
	<b>Scheduled flight operations Baht</b>	<b>Charter flight operations Baht</b>	
Revenues from sales and services	22,514,025,294	971,017,242	23,485,042,536
Profit from operation	1,816,133,850	28,734,849	1,844,868,699
Net gain on exchange rates			258,149,650
Other income			669,876,115
Finance costs			(170,971,996)
Profit before income tax			2,601,922,468
Income tax			(654,253,760)
Net profit for the year			<u>1,947,668,708</u>
Total assets			21,107,869,636

**6 Segment information (Cont'd)**

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 Board of Directors that make strategic decisions.

The operations of the Company's reporting segments are described as follows:

- Scheduled flight operations: The Company provides passenger air transportation services to routine destinations based on scheduled flights. The Company sells tickets through its distribution channels such as website, sale counters and travel agents etc.
- Charter flight operations: The Company provides passenger air transportation services to non-routine destinations. Flights are operated when there is a hiring from customers who normally are tourist agency companies.

Performance of each operating segment is measured by profit or loss from operation which is using the same basis that the Company measures its profit or loss from operation in the financial statements. Net gain (loss) on exchange rates, other income, finance costs and income tax are not allocated to each reporting segment.

The Company's total assets are joint assets that are used among segments. Hence, they are not allocated to each reporting segment.

**7 Cash and cash equivalents**

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
	<u>                    </u>	<u>                    </u>
Cash on hand	5,599,026	30,199,508
Deposits held at call with banks	4,594,167,642	1,654,769,913
Short-term bank deposits and bill of exchange with maturity of three months or less	<u>183,666,000</u>	<u>271,585,000</u>
Total cash and cash equivalents	<u>4,783,432,668</u>	<u>1,956,554,421</u>

The weighted average interest rate of deposits held at call with banks was 0.87% per annum (2013: 1.24% per annum).

As at 31 December 2014, interest rate of short-term bank deposits and bill of exchange with maturity of three months or less was 2.82% per annum (2013: 4.25% - 5.00% per annum).

**Thai AirAsia Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

---

**8 Short-term investments**

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
Fixed deposits and bill of exchange	<u>1,492,718,615</u>	<u>3,448,628,170</u>

As at 31 December 2014, short term investments comprise fixed deposits and bills of exchange of US Dollars 25.50 million and Chinese Yuan 125.00 million (2013: US Dollars 35.50 million, Chinese Yuan 305.00 million and Baht 650.00 million). Fixed deposits and bills of exchange have the period of 6-month to 12-month and bear interests at the rates of 2.25% to 4.00% per annum (2013: 2.00% to 3.50% per annum).

**9 Investments in private funds**

As at 31 December, the Company had securities of investments in private funds as follows:

	<b>Fair value</b>	
	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
Bank deposits	10,480,236	214,971,212
Government bonds	-	147,311,470
Debt instruments	-	670,268,500
Total investments in private funds	<u>10,480,236</u>	<u>1,032,551,182</u>

The movement of investments in private funds is as follows:

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
Opening net book amount	1,032,551,182	-
Additions	-	1,000,000,000
Disposals	(1,035,430,738)	-
Fair value adjustment	<u>13,359,792</u>	<u>32,551,182</u>
Closing net book amount	<u>10,480,236</u>	<u>1,032,551,182</u>

**Thai AirAsia Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

**10 Trade and other receivables, net**

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
Trade accounts receivable	255,647,615	317,179,582
<u>Less</u> Allowance for doubtful account	-	(2,220,250)
Trade accounts receivable, net	255,647,615	314,959,332
Accrued airport incentive	253,027,273	355,247,616
Accrued income	111,865,263	37,195,392
Other accounts receivable	10,474,513	16,102,346
Total trade and other receivables, net	<u>631,014,664</u>	<u>723,504,686</u>

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

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
Up to 3 months	216,357,455	269,321,178
3 - 6 months	3,881,108	3,902,087
6 - 12 months	12,291,770	34,573,329
Over 12 months	23,117,282	9,382,988
Total trade accounts receivable	255,647,615	317,179,582
<u>Less</u> Allowance for doubtful account	-	(2,220,250)
Total trade accounts receivable, net	<u>255,647,615</u>	<u>314,959,332</u>

**11 Long-term investments**

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
Opening book amount	1,310,548,600	8,769,300
Additions	1,715,500	1,301,779,300
<u>Less</u> Unrealised loss on exchange rate	(14,455,000)	-
Closing book amount	<u>1,297,809,100</u>	<u>1,310,548,600</u>

As at 31 December 2014, long-term investments comprise:

	<b>Held to</b>	<b>General</b>	<b>Total</b>
	<b>maturity</b>	<b>investment</b>	<b>Baht</b>
	<b>investment</b>	<b>Baht</b>	<b>Baht</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Fixed deposits	1,287,140,000	-	1,287,140,000
Equity securities	-	10,669,100	10,669,100
Total long-term investments	<u>1,287,140,000</u>	<u>10,669,100</u>	<u>1,297,809,100</u>

**11 Long-term investments (Cont'd)**

Held-to-maturity investments comprise 15-month fixed deposits of Baht 500.00 million, bearing interest at the rate of 3.50% per annum and 24-month fixed deposits of Chinese Yuan 150.00 million, bearing interest at the rate of 4.13% per annum.

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

**Thai AirAsia Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

**12 Aircraft, leasehold improvements and equipment, net**

	<b>Leasehold improvements Baht</b>	<b>Computers Baht</b>	<b>Furniture, fixtures and office equipment Baht</b>	<b>Operating equipment Baht</b>	<b>Motor vehicles Baht</b>	<b>Aircraft and aircraft engine Baht</b>	<b>Aircraft spare parts Baht</b>	<b>Assets under installation Baht</b>	<b>Total Baht</b>
<b>At 1 January 2013</b>									
Cost	51,586,988	74,335,459	23,730,117	124,539,416	79,308,485	2,513,860,588	661,691,262	21,399,654	3,550,451,969
<u>Less</u> Accumulated depreciation	(26,961,877)	(53,032,163)	(18,198,366)	(79,108,417)	(55,415,706)	(28,273,639)	(365,910,658)	-	(626,900,826)
Net book amount	<u>24,625,111</u>	<u>21,303,296</u>	<u>5,531,751</u>	<u>45,430,999</u>	<u>23,892,779</u>	<u>2,485,586,949</u>	<u>295,780,604</u>	<u>21,399,654</u>	<u>2,923,551,143</u>
<b>For the year ended 31 December 2013</b>									
Opening net book amount	24,625,111	21,303,296	5,531,751	45,430,999	23,892,779	2,485,586,949	295,780,604	21,399,654	2,923,551,143
Additions	18,740,211	8,039,196	4,949,828	15,781,772	-	8,007,395,386	176,242,182	58,843,283	8,289,991,858
Disposals, net	-	(13,146)	(1,652)	(29)	(2)	-	(6,287,888)	-	(6,302,717)
Write-offs, net	(1,474,248)	-	-	-	-	-	-	-	(1,474,248)
Transfers	37,260,624	-	14,306,781	4,643,485	(9)	-	(277,918)	(55,932,963)	-
Depreciation charge	(10,375,331)	(7,734,105)	(3,082,374)	(15,270,394)	(9,840,979)	(274,091,437)	(49,438,197)	-	(369,832,817)
Closing net book amount	<u>68,776,367</u>	<u>21,595,241</u>	<u>21,704,334</u>	<u>50,585,833</u>	<u>14,051,789</u>	<u>10,218,890,898</u>	<u>416,018,783</u>	<u>24,309,974</u>	<u>10,835,933,219</u>
<b>At 31 December 2013</b>									
Cost	97,324,639	81,756,456	42,877,818	143,400,293	78,429,759	10,521,255,973	827,841,150	24,309,974	11,817,196,062
<u>Less</u> Accumulated depreciation	(28,548,272)	(60,161,215)	(21,173,484)	(92,814,460)	(64,377,970)	(302,365,075)	(411,822,367)	-	(981,262,843)
Net book amount	<u>68,776,367</u>	<u>21,595,241</u>	<u>21,704,334</u>	<u>50,585,833</u>	<u>14,051,789</u>	<u>10,218,890,898</u>	<u>416,018,783</u>	<u>24,309,974</u>	<u>10,835,933,219</u>

**Thai AirAsia Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

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

	<b>Leasehold improvements Baht</b>	<b>Computers Baht</b>	<b>Furniture, fixtures and office equipment Baht</b>	<b>Operating equipment Baht</b>	<b>Motor vehicles Baht</b>	<b>Aircraft and aircraft engine Baht</b>	<b>Aircraft spare parts Baht</b>	<b>Assets under installation Baht</b>	<b>Total Baht</b>
<b>For the year ended 31 December 2014</b>									
Opening net book amount	68,776,367	21,595,241	21,704,334	50,585,833	14,051,789	10,218,890,898	416,018,783	24,309,974	10,835,933,219
Additions	18,048,466	13,853,660	8,432,384	56,744,272	4,500,000	5,614,655,738	146,957,363	32,772,232	5,895,964,115
Disposals, net	-	(233,843)	(4,260)	(7,123)	(444,321)	-	(112,185)	-	(801,732)
Transfers	16,085,014	-	1,762,797	9,310,559	13,321,389	-	-	(40,479,759)	-
Depreciation charge	(21,673,636)	(8,907,466)	(6,555,798)	(19,814,095)	(10,293,112)	(671,152,040)	(60,313,024)	-	(798,709,171)
Closing net book amount	<u>81,236,211</u>	<u>26,307,592</u>	<u>25,339,457</u>	<u>96,819,446</u>	<u>21,135,745</u>	<u>15,162,394,596</u>	<u>502,550,937</u>	<u>16,602,447</u>	<u>15,932,386,431</u>
<b>At 31 December 2014</b>									
Cost	131,458,119	76,485,304	53,005,959	207,705,446	94,493,131	16,135,911,711	974,667,397	16,602,447	17,690,329,514
<u>Less</u> Accumulated depreciation	<u>(50,221,908)</u>	<u>(50,177,712)</u>	<u>(27,666,502)</u>	<u>(110,886,000)</u>	<u>(73,357,386)</u>	<u>(973,517,115)</u>	<u>(472,116,460)</u>	-	<u>(1,757,943,083)</u>
Net book amount	<u>81,236,211</u>	<u>26,307,592</u>	<u>25,339,457</u>	<u>96,819,446</u>	<u>21,135,745</u>	<u>15,162,394,596</u>	<u>502,550,937</u>	<u>16,602,447</u>	<u>15,932,386,431</u>

The leased assets included above, where the Company is a lessee under finance lease agreements, comprise aircraft, aircraft engine and motor vehicles, total cost of which is Baht 16,147.65 million and total accumulated depreciation of Baht 981.92 million (2013: total cost of Baht 10,538.13 million and total accumulated depreciation of Baht 307.89 million).



**Thai AirAsia Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

**13 Intangible assets, net**

	<b>Computer software Baht</b>	<b>Computer software under installation Baht</b>	<b>Total Baht</b>
<b>At 1 January 2013</b>			
Cost	33,905,992	1,413,615	35,319,607
<u>Less</u> Accumulated amortisation	<u>(23,509,272)</u>	-	<u>(23,509,272)</u>
Net book amount	<u>10,396,720</u>	<u>1,413,615</u>	<u>11,810,335</u>
<b>For the year ended 31 December 2013</b>			
Opening net book amount	10,396,720	1,413,615	11,810,335
Additions	920,791	3,662,147	4,582,938
Transfers	1,776,824	(1,776,824)	-
Amortisation charge	<u>(4,433,844)</u>	-	<u>(4,433,844)</u>
Closing net book amount	<u>8,660,491</u>	<u>3,298,938</u>	<u>11,959,429</u>
<b>At 31 December 2013</b>			
Cost	36,603,607	3,298,938	39,902,545
<u>Less</u> Accumulated amortisation	<u>(27,943,116)</u>	-	<u>(27,943,116)</u>
Net book amount	<u>8,660,491</u>	<u>3,298,938</u>	<u>11,959,429</u>
<b>For the year ended 31 December 2014</b>			
Opening net book amount	8,660,491	3,298,938	11,959,429
Additions	4,276,474	711,708	4,988,182
Transfers	4,010,646	(4,010,646)	-
Amortisation charge	<u>(5,487,675)</u>	-	<u>(5,487,675)</u>
Closing net book amount	<u>11,459,936</u>	<u>-</u>	<u>11,459,936</u>
<b>At 31 December 2014</b>			
Cost	44,890,727	-	44,890,727
<u>Less</u> Accumulated amortisation	<u>(33,430,791)</u>	-	<u>(33,430,791)</u>
Net book amount	<u>11,459,936</u>	<u>-</u>	<u>11,459,936</u>

**Thai AirAsia Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

**14 Other non-current assets**

	<b>Note</b>	<b>2014 Baht</b>	<b>2013 Baht</b>
Aircraft rental deposits	23.6	630,333,888	605,152,224
Airport operation deposit		34,600,000	34,600,000
Fuel price swap deposit	23.6	16,406,400	16,338,900
Rental deposits		46,610,702	40,443,020
Prepaid expenses		10,880,712	24,086,098
Other deposits		73,845,881	97,027,398
Total other non-current assets		<u>812,677,583</u>	<u>817,647,640</u>

**15 Finance lease liabilities**

Finance lease liabilities - minimum lease payments:

	<b>2014 Baht</b>	<b>2013 Baht</b>
Within 1 year	1,365,914,441	840,034,332
Later than 1 year but not later than 5 years	5,451,922,249	3,733,718,639
Later than 5 years	7,737,871,073	5,006,647,324
<u>Less</u> Future finance charges on finance leases	<u>(2,478,739,612)</u>	<u>(1,419,561,602)</u>
	<u>12,076,968,151</u>	<u>8,160,838,693</u>

Representing lease liabilities:

- Current portion	959,006,292	615,065,684
- Non-current portion	11,117,961,859	7,545,773,009
	<u>12,076,968,151</u>	<u>8,160,838,693</u>

The present value of finance lease liabilities is as follows:

	<b>2014 Baht</b>	<b>2013 Baht</b>
Within 1 year	1,338,730,452	825,903,954
Later than 1 year but not later than 5 years	4,889,550,263	3,417,297,611
Later than 5 years	5,848,687,436	3,917,637,128
	<u>12,076,968,151</u>	<u>8,160,838,693</u>

During the year, the Company entered into four Aircraft and one Aircraft engine Finance Lease Agreements. The lease period of each Aircraft is 12 years and Aircraft engine is 5 years, with a purchase option from the lessor at the end of the lease period.

**Thai AirAsia Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

---

**16 Deferred income taxes**

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 20%

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
	<u>                    </u>	<u>                    </u>
<b>Deferred tax assets:</b>		
Deferred tax assets to be recovered after more than 12 months	1,349,962,476	809,835,441
	<u>1,349,962,476</u>	<u>809,835,441</u>
<b>Deferred tax liabilities:</b>		
Deferred tax liabilities to be settled after more than 12 months	(1,701,774,712)	(1,119,583,176)
	<u>(1,701,774,712)</u>	<u>(1,119,583,176)</u>
<b>Deferred tax liabilities, net</b>	<u>(351,812,236)</u>	<u>(309,747,735)</u>

The gross movement and the deferred income tax account is as follows:

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
	<u>                    </u>	<u>                    </u>
At 1 January	(309,747,735)	(27,816,517)
Credited to profit or loss	(39,727,465)	(278,745,324)
Credited to other comprehensive income	(2,337,036)	(3,185,894)
	<u>                    </u>	<u>                    </u>
At 31 December	<u>(351,812,236)</u>	<u>(309,747,735)</u>

**Thai AirAsia Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

**16 Deferred income taxes (Cont'd)**

The movement in deferred tax assets and liabilities during the year is as follows:

	<b>Tax loss Baht</b>	<b>Retirement benefit Baht</b>	<b>Depreciation Baht</b>	<b>Finance lease Baht</b>	<b>Total Baht</b>
<b>Deferred tax assets</b>					
At 1 January 2013	-	22,219,821	110,862	247,352,832	269,683,515
Charged (credited) to profit or loss	-	6,635,910	(110,862)	536,812,772	543,337,820
Credited to other comprehensive income	-	(3,185,894)	-	-	(3,185,894)
At 31 December 2013	-	25,669,837	-	784,165,604	809,835,441
At 1 January 2014	-	25,669,837	-	784,165,604	809,835,441
Charged to profit or loss	186,660,629	5,993,276	-	349,810,166	542,464,071
Credited to other comprehensive income	-	(2,337,036)	-	-	(2,337,036)
At 31 December 2014	186,660,629	29,326,077	-	1,133,975,770	1,349,962,476

Deferred income tax assets are recognised for tax loss and carry forwards only to the extent that realisation of the related tax benefit through the future taxable profits is probable.

	<b>Share-based payment Baht</b>	<b>Finance lease Baht</b>	<b>Total Baht</b>
<b>Deferred tax liabilities</b>			
At 1 January 2013	(6,062,641)	(291,437,391)	(297,500,032)
Charged (credited) to profit or loss	6,062,641	(828,145,785)	(822,083,144)
At 31 December 2013	-	(1,119,583,176)	(1,119,583,176)
At 1 January 2014	-	(1,119,583,176)	(1,119,583,176)
Credited to profit or loss	-	(582,191,536)	(582,191,536)
At 31 December 2014	-	(1,701,774,712)	(1,701,774,712)

**Thai AirAsia Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

---

**17 Income tax**

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
<b>Current tax:</b>		
Current tax on profit for the year	-	375,508,436
Adjustment in respect of prior year	(34,920,945)	-
Total current tax	(34,920,945)	375,508,436
<b>Deferred tax:</b>		
Origination and reversal of temporary differences		
- Deferred tax assets	(542,464,071)	(546,325,429)
- Deferred tax liabilities	582,191,536	825,070,753
Total deferred tax	39,727,465	278,745,324
Total income tax	4,806,520	654,253,760

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
Profit before income tax	340,090,102	2,601,922,468
Tax calculated at a tax rate of 20%	68,018,020	520,384,494
Tax effect of:		
Profit exempted from corporate income tax due to promotional privilege from BOI	(268,666,793)	(145,637,362)
Expenses not deductible for tax purpose	7,994,868	1,171,052
Difference in finance lease under promotional privilege period	232,381,370	286,181,107
Adjustment in respect of prior year	(34,920,945)	(7,845,531)
Tax charge	4,806,520	654,253,760

The weighted average applicable tax rate was 1.41% (2013: 25.15%). The decrease is caused by the increase in profit exempted from corporate income tax due to promotional privilege from BOI and prior year tax adjustment.

**Thai AirAsia Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

---

**17 Income tax (Cont'd)**

The tax charged relating to component of other comprehensive income is as follows:

	2014			2013		
	Before tax Baht	Tax charge Baht	After tax Baht	Before tax Baht	Tax charge Baht	After tax Baht
Actuarial gain on employee benefit obligations	11,685,182	(2,337,036)	9,348,146	15,929,471	(3,185,894)	12,743,577
Other comprehensive income	<u>11,685,182</u>	<u>(2,337,036)</u>	<u>9,348,146</u>	<u>15,929,471</u>	<u>(3,185,894)</u>	<u>12,743,577</u>
Current tax		-			-	
Deferred tax		<u>(2,337,036)</u>			<u>(3,185,894)</u>	
		<u>(2,337,036)</u>			<u>(3,185,894)</u>	

**18 Employee benefit obligations**

	2014 Baht	2013 Baht
Statement of financial position		
Retirement benefits	157,547,925	132,997,460
Statement of comprehensive income		
Retirement benefits	36,235,647	38,428,899
Actuarial gain recognised in the statement of comprehensive income	(11,685,182)	(15,929,471)
Cumulative actuarial gain recognised in the statement of comprehensive income	(23,359,868)	(11,674,686)

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

	2014 Baht	2013 Baht
Opening book amount	132,997,460	111,846,384
Current service costs	30,673,843	33,642,699
Interest costs	5,561,804	4,786,200
Actuarial gain	(11,685,182)	(15,929,471)
Benefit paid	-	(1,348,352)
Closing book amount	<u>157,547,925</u>	<u>132,997,460</u>

**Thai AirAsia Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

---

**18 Employee benefit obligations (Cont'd)**

The amounts recognised in the statement of comprehensive income are as follows:

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
Current service costs	30,673,843	33,642,699
Interest costs	5,561,804	4,786,200
Total, included in staff costs	<u>36,235,647</u>	<u>38,428,899</u>

The principal actuarial assumptions used are as follows:

		<b>2014</b>	<b>2013</b>
Discount rate	% per annum	3.34	4.18
Future salary increase rate	% per annum	5.59 - 10.00	5.59 - 10.00
Resignation rate	% per annum	0.00 - 10.00	0.00 - 11.00

**19 Share capital**

	<b>Par value</b>	<b>Number of</b>	<b>Issued and</b>	<b>Issued and</b>	<b>Share</b>	<b>Total</b>
	<b>Baht</b>	<b>authorised</b>	<b>paid-up</b>	<b>paid-up</b>	<b>premium</b>	<b>Baht</b>
	<b>Baht</b>	<b>ordinary</b>	<b>ordinary</b>	<b>ordinary</b>	<b>Baht</b>	<b>Baht</b>
	<b>Baht</b>	<b>Shares</b>	<b>Shares</b>	<b>Shares</b>	<b>Baht</b>	<b>Baht</b>
At 1 January 2013	10	43,555,560	43,555,560	435,555,600	2,628,786,469	3,064,342,069
Issue of shares	-	-	-	-	-	-
At 31 December 2013	10	43,555,560	43,555,560	435,555,600	2,628,786,469	3,064,342,069
Issue of shares	-	-	-	-	-	-
At 31 December 2014	<u>10</u>	<u>43,555,560</u>	<u>43,555,560</u>	<u>435,555,600</u>	<u>2,628,786,469</u>	<u>3,064,342,069</u>

The total number of authorised ordinary shares is 43,555,560 shares (2013: 43,555,560 shares) with a par value of Baht 10 per share (2013: Baht 10 per share). All issued shares are fully paid.

**Thai AirAsia Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

---

**20 Revenues from sales and services**

Revenues from sales and services are as follows:

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
Passenger revenues	18,154,708,921	17,403,345,544
Baggage handling and other service fees	5,561,579,215	4,703,474,581
Charter flight revenues	1,175,896,988	971,017,242
In-flight revenues	260,875,934	225,029,896
Freight revenues	202,453,859	182,175,273
Total revenues	<u>25,355,514,917</u>	<u>23,485,042,536</u>

**21 Expense by nature**

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

	<b>Notes</b>	<b>2014</b>	<b>2013</b>
		<b>Baht</b>	<b>Baht</b>
Depreciation and amortisation	12,13	804,196,846	374,266,661
Staff costs		2,799,564,751	2,480,510,804
Fuel costs		11,272,295,601	9,386,304,462
Aircraft rental	23.2	3,750,883,931	3,278,934,900
Repair and maintenance		1,861,852,842	1,953,501,169
Ramp and airport operations costs		2,291,867,842	1,605,399,932

**22 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.

	<b>2014</b>	<b>2013</b>
Net profit for the year (Baht)	335,283,582	1,947,668,708
Weighted average number of paid-up ordinary shares outstanding (Shares)	43,555,560	43,555,560
Basic earnings per share (Baht)	7.70	44.72

The Company does not have diluted ordinary shares as at 31 December 2014 and 2013.



## **23 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.

On 31 December 2014, the Company are controlled by Asia Aviation Public Company Limited which owns 55% of the Company (31 December 2013: 55%).

For reporting purposed, AirAsia Berhad who held 45% of the Company's shares and AirAsia Berhad's related parties are referred to as the other related parties.

The following significant transactions were carried out with related parties:

### **23.1) Other income**

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
<b>Other related parties</b>		
Interest income	8,291,867	3,110,799
Other administrative fee	9,888,280	-

### **23.2) Purchases of goods, services and expenses**

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
<b>Other related parties</b>		
Share of loss from fuel price swap agreements	312,406,466	43,827,989
Share of staff costs for accounting services	31,371,651	(37,965,492)
Aircraft rental	3,750,883,931	3,278,934,900
Aircraft repair and maintenance	1,502,123,611	1,476,958,962
Purchases of merchandises and equipment	228,167,100	215,282,972
Management fee expenses	15,649,508	14,879,892
Booking fee expenses	104,976,328	88,184,386
Pilot training expenses	84,540,826	96,546,247
Brand license fee expenses	244,381,651	239,766,820

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

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

**23.2) Purchases of goods, services and expenses (Cont'd)**

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
	<u>                    </u>	<u>                    </u>
<b>Parent company</b>		
Management fee expenses	25,000,000	-

**23.3) Management remunerations**

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

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
	<u>                    </u>	<u>                    </u>
Salaries and other short-term employee benefits	88,255,894	63,249,457
Retirement benefits	5,055,044	5,667,787
	<u>93,310,938</u>	<u>68,917,244</u>

Outstanding balances of receivables, payables and other non-current assets are summarised as follows:

**23.4) Amounts due from related parties**

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
	<u>                    </u>	<u>                    </u>
Other related parties	<u>68,162,932</u>	<u>87,240,764</u>

Amounts due from related parties have been charged with the interest for overdue amount at 6.00% per annum (2013: 6.00% per annum).

**23.5) Amounts due to related parties**

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
	<u>                    </u>	<u>                    </u>
Other related parties	<u>472,709,254</u>	<u>506,830,215</u>

**Thai AirAsia Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2014**

---

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

Outstanding balances of receivables, payables and other non-current assets are summarised as follows: (Cont'd)

**23.6) Other non-current assets**

	<b>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
<b>Other related parties</b>		
Aircraft rental deposits	630,333,888	605,152,224
Fuel price swap deposit	16,406,400	16,338,900
	<u>646,740,288</u>	<u>621,491,124</u>

**24 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>2014</b>	<b>2013</b>
	<b>Baht</b>	<b>Baht</b>
Within 1 year	42,611,872	49,014,345
Later than 1 year but not later than 5 years	5,306,226	33,453,035
Total	<u>47,918,098</u>	<u>82,467,380</u>

As at 31 December, the Company had the future aggregate minimum lease payments in respect of non-cancellable operating aircraft lease agreements made with AirAsia (Mauritius) Limited, a related company, and insurance agreements of aircraft and aircraft engine as follows:

	<b>2014</b>		<b>2013</b>	
	<b>Rental</b>	<b>Insurance</b>	<b>Rental</b>	<b>Insurance</b>
	<b>US Dollars</b>	<b>agreement</b>	<b>US Dollars</b>	<b>agreement</b>
	<b>US Dollars</b>	<b>US Dollars</b>	<b>US Dollars</b>	<b>US Dollars</b>
Within 1 year	115,260,000	2,993,762	111,480,000	893,590
Later than 1 year but not later than 5 years	459,325,479	-	445,920,000	-
Later than 5 years	275,132,384	-	362,093,589	-
Total	<u>849,717,863</u>	<u>2,993,762</u>	<u>919,493,589</u>	<u>893,590</u>

## 25 Guarantees

As at 31 December 2014, 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 99.29 million (as at 31 December 2013: Baht 34.75 million). 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.

## 26 Letters of guarantee

The Company had commitments from letters of guarantee in respect of ground handling, technical support, and other flight operating activities including maintenance reserve fund in the ordinary course of business as follows:

	2014			2013		
	Baht million	US Dollars million	Indian Rupee million	Baht million	US Dollars million	Indian Rupee million
Guarantees relating to flight operating activities	7.90	0.09	12.38	6.75	0.09	3.38
Guarantees relating to maintenance reserve fund	-	9.59	-	-	9.59	-
<b>Total</b>	<b>7.90</b>	<b>9.68</b>	<b>12.38</b>	<b>6.75</b>	<b>9.68</b>	<b>3.38</b>

The Company also used its saving and current accounts as collateral for these letters of guarantee as follows:

	2014		2013	
	Baht million	Indian Rupee million	Baht million	Indian Rupee million
Saving account	171.01	-	337.37	-
Current account	-	12.68	-	3.68
<b>Total</b>	<b>171.01</b>	<b>12.68</b>	<b>337.37</b>	<b>3.68</b>

**27 Promotional privileges**

On 13 March 2013, the Company received a certificate of promotional privileges from the Board of Investment (“BOI”) for 24 aircraft for the business of air transportation. The main privileges include exemption from payment of import duty on aircraft and related spare parts and exemption from corporate income tax for the promoted activities for a period of eight years from the date when income is first derived. To be entitled to the privileges, the Company must comply with the conditions and restrictions provided in the promotional certificates. The conditions require that the Company’s authorised and paid-up share capital is not less than Baht 435.5 million.

As at 31 December 2014, the Company had received 12 aircraft under such certificate of promotional privileges from the BOI (as at 31 December 2013: 7 aircraft).

**28 Subsequent events**

On 11 January 2015 and 23 January 2015, the Company accepted the delivery of two additional Airbus A320-200 aircraft. The expansion of the Company’s fleet is to support the launch of new routes and increase the frequency of flights on the Company’s existing routes. These aircraft are acquired under lease agreements for period of 12 years.