

**THAI AIRASIA COMPANY LIMITED**

**STATUTORY FINANCIAL STATEMENTS**

**31 DECEMBER 2015**



## 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 2015, 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 2015, 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', is written over a faint horizontal line.

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

Bangkok  
25 February 2016

**Thai AirAsia Company Limited**  
**Statement of Financial Position**  
**As at 31 December 2015**

	<u>Notes</u>	<u>2015</u> <u>Baht</u>	<u>2014</u> <u>Baht</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	6,071,376,910	4,783,432,668
Cash at financial institutions pledged as security		358,741,649	6,109,410
Short-term investments	8	1,109,230,126	1,492,718,615
Investments in private funds	9	-	10,480,236
Trade and other receivables, net	10	439,190,726	631,014,664
Amounts due from related parties	25.4	326,208,917	68,162,932
Inventories		92,596,351	75,603,159
Prepaid expenses		314,770,946	270,021,843
Value added taxes receivable, net		-	86,822,474
Other current assets		61,720,089	39,437,657
<b>Total current assets</b>		<u>8,773,835,714</u>	<u>7,463,803,658</u>
<b>Non-current assets</b>			
Cash at financial institutions pledged as security		6,441,435	171,192,685
Long-term investments	11	11,832,300	1,297,809,100
Aircraft maintenance reserves	25.6	1,066,380,311	-
Aircraft, leasehold improvements and equipments, net	12	18,135,081,588	15,932,386,431
Intangible assets, net	13	12,194,785	11,459,936
Other non-current assets	14	1,001,821,169	812,677,583
<b>Total non-current assets</b>		<u>20,233,751,588</u>	<u>18,225,525,735</u>
<b>Total assets</b>		<u><u>29,007,587,302</u></u>	<u><u>25,689,329,393</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 2015**

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	<u>Notes</u>	<u>2015</u> <u>Baht</u>	<u>2014</u> <u>Baht</u>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Trade accounts payable		335,807,004	175,170,833
Other accounts payable		194,558,325	192,155,392
Amounts due to related parties	25.5	917,878,501	472,709,254
Deferred revenues		4,030,229,013	4,629,227,573
Accrued expenses		1,515,029,527	1,371,431,680
Current portion of finance lease liabilities	15	1,261,443,422	959,006,292
Other current liabilities		<u>39,235,045</u>	<u>61,326,908</u>
<b>Total current liabilities</b>		<u>8,294,180,837</u>	<u>7,861,027,932</u>
<b>Non-current liabilities</b>			
Finance lease liabilities	15	12,775,395,312	11,117,961,859
Deferred tax liabilities, net	16	511,948,077	351,812,236
Employee benefit obligations	18	<u>168,945,620</u>	<u>157,547,925</u>
<b>Total non-current liabilities</b>		<u>13,456,289,009</u>	<u>11,627,322,020</u>
<b>Total liabilities</b>		<u>21,750,469,846</u>	<u>19,488,349,952</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 2015**

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	<u>Notes</u>	<u>2015 Baht</u>	<u>2014 Baht</u>
<b>Liabilities and shareholders' equity</b>			
(Cont'd)			
<b>Shareholders' equity</b>			
Share capital			
Authorised share capital			
Ordinary shares, 43,555,560 shares of par Baht 10 each		<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	19	435,555,600	435,555,600
Premium on share capital	19	2,628,786,469	2,628,786,469
Retained earnings			
Appropriated			
Legal reserve	21	43,555,560	-
Unappropriated		<u>4,149,219,827</u>	<u>3,136,637,372</u>
<b>Total shareholders' equity</b>		<u>7,257,117,456</u>	<u>6,200,979,441</u>
<b>Total liabilities and shareholders' equity</b>		<u>29,007,587,302</u>	<u>25,689,329,393</u>

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

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**Thai AirAsia Company Limited**  
**Statement of Comprehensive Income**  
**For the year ended 31 December 2015**

	<b>Notes</b>	<b>2015 Baht</b>	<b>2014 Baht</b>
Revenues from sales and services	22	29,507,305,473	25,355,514,917
Costs of sales of goods and services		<u>(25,298,814,478)</u>	<u>(23,694,675,817)</u>
<b>Gross profit</b>		4,208,490,995	1,660,839,100
Net gain on exchange rates		-	126,032,452
Other income		<u>955,298,789</u>	<u>793,158,827</u>
<b>Profit before expenses</b>		5,163,789,784	2,580,030,379
Selling expenses		(1,493,977,009)	(1,180,060,295)
Administrative expenses		(862,664,875)	(747,121,356)
Net loss on exchange rates		<u>(204,759,134)</u>	<u>-</u>
<b>Profit before finance costs and income taxes</b>		2,602,388,766	652,848,728
Finance costs		<u>(457,068,503)</u>	<u>(312,758,626)</u>
<b>Profit before income taxes</b>		2,145,320,263	340,090,102
Income taxes	17	<u>(154,300,658)</u>	<u>(4,806,520)</u>
<b>Net profit for the year</b>		<u>1,991,019,605</u>	<u>335,283,582</u>
<b>Other comprehensive income:</b>			
Remeasurements of employee benefit obligations	18	29,175,913	11,685,182
Income taxes relating to components of other comprehensive income for the year	17	<u>(5,835,183)</u>	<u>(2,337,036)</u>
<b>Other comprehensive income for the year</b>		<u>23,340,730</u>	<u>9,348,146</u>
<b>Total comprehensive income for the year</b>		<u><u>2,014,360,335</u></u>	<u><u>344,631,728</u></u>
<b>Earnings per share</b>			
Basic earnings per share	24	<u><u>45.71</u></u>	<u><u>7.70</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 2015**

	Notes	Issued and paid-up share capital Baht	Premium on share capital Baht	Retained earnings		Total Baht
				Appropriated - legal reserve Baht	Unappropriated Baht	
<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>-</u>	<u>3,136,637,372</u>	<u>6,200,979,441</u>
<b>Opening balance as at 1 January 2015</b>		435,555,600	2,628,786,469	-	3,136,637,372	6,200,979,441
Total comprehensive income for the year		-	-	-	2,014,360,335	2,014,360,335
Dividends paid	20	-	-	-	(958,222,320)	(958,222,320)
Legal reserve	21	-	-	43,555,560	(43,555,560)	-
<b>Closing balance as at 31 December 2015</b>		<u>435,555,600</u>	<u>2,628,786,469</u>	<u>43,555,560</u>	<u>4,149,219,827</u>	<u>7,257,117,456</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 2015**

	<b>Notes</b>	<b>2015 Baht</b>	<b>2014 Baht</b>
<b>Cash flows from operating activities</b>			
Profit before income taxes		2,145,320,263	340,090,102
Adjustments for:			
Depreciation	12	1,102,316,273	798,709,171
Amortisation	13	4,406,581	5,487,675
Amortisation of prepaid expenses		399,509,087	120,654,811
(Gain) loss on disposals and write-offs of leasehold improvements and equipment		1,508,043	(255,597)
Employee benefit expenses	18	42,178,576	36,235,647
Net loss on exchange rates		682,138,882	48,246,023
Net gain on fair value adjustment in investments in private funds	9	(27,192)	(13,359,792)
Finance costs		457,068,503	312,758,626
Interest income		(118,607,548)	(168,294,715)
		<u>4,715,811,468</u>	<u>1,480,271,951</u>
Changes in operating assets and liabilities:			
- Trade and other receivables		98,791,358	91,388,290
- Amounts due from related parties		(258,718,313)	23,297,623
- Inventories		(16,993,193)	(6,635,245)
- Prepaid expenses		(444,258,190)	(47,707,554)
- Value added tax receivable		86,822,474	(8,135,824)
- Other current assets		(16,426,246)	6,276,592
- Aircraft maintenance reserves		(1,066,380,311)	-
- Other non-current assets		(189,143,586)	4,970,057
- Trade accounts payable		160,636,171	22,219,341
- Other accounts payable		2,402,933	68,022,753
- Amounts due to related parties		447,153,960	(34,120,961)
- Deferred revenues		(598,998,560)	330,064,124
- Accrued expenses		82,395,853	(34,396,043)
- Other current liabilities		(22,091,863)	36,963,208
		<u>2,981,003,955</u>	<u>1,932,478,312</u>
Cash generated from operating activities		2,981,003,955	1,932,478,312
Income taxes paid		(5,856,186)	(121,134,793)
Interest received		31,786,534	34,057,354
Employee benefit paid	18	(1,604,968)	-
		<u>3,005,329,335</u>	<u>1,845,400,873</u>
Net cash generated from operating activities		<u>3,005,329,335</u>	<u>1,845,400,873</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 2015**

	<b>Notes</b>	<b>2015 Baht</b>	<b>2014 Baht</b>
<b>Cash flows from investing activities</b>			
Decrease (increase) in cash at financial institutions pledged as security		(185,297,243)	175,243,919
Decrease in short-term investments		413,055,602	1,955,909,555
Decrease in investments in private funds	9	10,507,428	1,035,430,738
Decrease (increase) in long-term investments	11	1,295,061,800	(1,715,500)
Proceeds from disposals of leasehold improvements and equipment		1,899,130	1,057,329
Payments for aircraft, leasehold improvements and equipment		(814,850,142)	(1,266,087,577)
Payments for intangible assets	13	(5,141,430)	(4,988,182)
Interest received		167,569,704	130,521,985
Net cash generated from investing activities		<u>882,804,849</u>	<u>2,025,372,267</u>
<b>Cash flows from financing activities</b>			
Repayments of finance leases		(1,059,103,336)	(704,485,139)
Interest paid		(555,610,442)	(326,277,187)
Dividends paid		(958,222,320)	-
Net cash used in financing activities		<u>(2,572,936,098)</u>	<u>(1,030,762,326)</u>
<b>Net increase in cash and cash equivalents</b>		1,315,198,086	2,840,010,814
Cash and cash equivalents at the beginning of the year		4,783,432,668	1,956,554,421
Exchange loss on cash and cash equivalents		<u>(27,253,844)</u>	<u>(13,132,567)</u>
<b>Cash and cash equivalents at the end of the period</b>		<u><u>6,071,376,910</u></u>	<u><u>4,783,432,668</u></u>

**Non-cash transactions**

Significant non-cash transactions during the years ended 31 December 2015 and 2014 are as follows:

Purchases of aircraft spare parts which have not been paid for	138,205,808	14,430,535
Purchases of aircraft and aircraft engine under finance lease agreements	2,267,749,370	4,475,499,524

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 25 February 2016.

## **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, 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 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)**

The principal accounting policies adopted in the preparation of these financial statements are set out below: (Cont'd)

### **2.2 New financial reporting standard and revised accounting standard**

New financial reporting standard and revised accounting standard that are effective in the accounting periods beginning on or after 1 January 2015 and relevant to the Company are as follow:

TAS 19 (revised 2014)	Employee benefits
TFRS 13	Fair value measurement

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.

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. This standard has no impact to the Company, except for disclosures.

The Company’s management has assessed and determined that these new financial reporting standard and revised accounting standard, do 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.

Where 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, where 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, beverages, merchandise, and consumables.

Food, beverages 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 by the weighted average basis. Cost 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; or (2) general investments. The classification depends 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.

- Investments with fixed maturity that the management has intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for those with maturities within 12 months from the statement of financial position date which are classified as current assets.
- 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 down the cost of each asset, to its residual value over the estimated useful life as follows:

Aircraft and aircraft engines	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 a 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 Accounting policies (Cont'd)**

**2.13 Current and deferred income taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

**2.14 Employee benefits**

**2.14.1 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.

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

### **2.15 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.

### **2.16 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.

### **2.17 Revenue recognition**

Passenger service revenues 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.

Revenues from sales comprises receivable for the sale of goods net of output tax, rebates and discounts. Revenues 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 into account of the principal outstanding and the effective rate over the period to maturity if such income will accrue to the Company.

Other income is recognised on an accrual basis.

### **2.18 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

### **3 Financial risk management**

#### **3.1 Financial risk factors**

The Company's activities are exposed 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 payments to be settled in foreign currencies (Note 3.2).

##### **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 revenues from passenger services, 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.

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

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

**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 to maintain flexibility in funding by keeping credit lines available.

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

Derivative financial instruments that the Company uses to manage risks comprise fuel price swap agreements, forward foreign exchange contract, interest rate swap agreements and cross currency swap agreement.

**Fuel price swap agreements**

AirAsia Berhad, a related party, has entered into fuel price swap agreements with third parties to protect the Company from the risk of movements in fuel prices. 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 records these transactions in statement of comprehensive income as a component of operating costs when they incur.

**Forward foreign exchange contract**

The Company entered into forward foreign exchange contract with local financial institution in order to hedge the foreign exchange risk relating to payments to be settled in foreign currencies. As at 31 December 2015, the outstanding contract due for settlement on 24 February 2016 (as at 31 December 2014: 10 March 2015 and 29 June 2015) is as follows:

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
	<hr/>	<hr/>
The amount to be received		
US Dollars 9.23 million at rate Baht 35.76 per US Dollar 1	330,210,602	-
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

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

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

**Interest rate swap agreements**

The Company entered into interest rate swap agreements 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 agreements. Under the interest rate swap agreements, the Company agreed to exchange the differences between fixed rates and floating rates which are calculated by reference to the agreed notional principal amounts. As at 31 December 2015, the notional principal from the agreements amounted to Baht 2,525 million and USD 113 million (2014: Baht 1,090 million), the fixed interest rates were 2.24% - 5.09% (2014: 5.09%) and the floating interest rates were THBFIX1M plus 1.98% - 2.20%, THBFIX6M plus 2.25% and USD LIBOR3M plus 0.56% - 0.83% (2014: THBFIX1M plus 2.20%).

Interest rate swap agreements are due for exchange of the differences in interest amount every month.

**Cross currency swap agreement**

The Company entered into cross currency swap agreement with local financial institutions in order to hedge both foreign exchange and interest rate risks relating to payments to be settled in foreign currencies. As at 31 December 2015, the outstanding agreement due for settlement on 10 November 2025 (2014: Nil). The notional principal from the agreement amounted to USD 29 million (2014: Nil), the fixed interest rate was 2.64% (2014: Nil) and the floating interest rate was USD LIBOR3M plus 0.70% (2014: Nil).

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

**3.3 Fair value estimation**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table presents the Company's financial assets and liabilities that were measured at fair value at 31 December 2015.

	<b>Level 2 USD</b>	<b>Level 2 Baht</b>
<b>Assets</b>		
<b>Derivatives used for hedging</b>		
Foreign exchange forward contract	-	3,461,205
Cross currency swap agreement	-	52,215,877
<b>Total assets</b>	-	<b>55,677,082</b>
	<b>Level 2 USD</b>	<b>Level 2 Baht</b>
<b>Liabilities</b>		
<b>Derivatives used for hedging</b>		
Fuel price swap agreements	21,775,524	-
Interest rate swap agreements	-	10,977,994
<b>Total liabilities</b>	<b>21,775,524</b>	<b>10,977,994</b>

There were no transfers between levels 1 and 2 during the year.

Derivatives instruments are measured at their fair values which were quoted prices of the financial institutions with which the Company entered into derivative instrument agreements. The fair values were based on observable information, such as interest rates and foreign exchange rates commonly quoted in publicly available sources on the date of the statement of financial position.



#### **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, for which the 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 hours flown each year.

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

The Company annually reviews 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 for 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.

**6 Segment information**

**Financial information by business segments**

	<b>2015</b>		<b>Total Baht</b>
	<b>Scheduled flight operations Baht</b>	<b>Charter flight operations Baht</b>	
Revenues from sales and services	27,426,215,857	2,081,089,616	29,507,305,473
Profit from operation	1,318,366,219	533,482,892	1,851,849,111
Other income			955,298,789
Net loss on exchange rates			(204,759,134)
Finance costs			(457,068,503)
Profit before income taxes			2,145,320,263
Income taxes			(154,300,658)
Net profit for the year			<u>1,991,019,605</u>
Total assets			29,007,587,302
	<b>2014</b>		
	<b>Scheduled flight operations Baht</b>	<b>Charter flight operations Baht</b>	<b>Total 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 taxes			340,090,102
Income taxes			(4,806,520)
Net profit for the year			<u>335,283,582</u>
Total assets			25,689,329,393

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

### **Financial information by business segments (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 makes 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 for on scheduled flights. The Company sells tickets through its distribution channels such as website, sale counters and travel agents etc.
- Chartered 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>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
Cash on hand	9,678,812	5,599,026
Deposits held at call with banks	5,241,543,098	4,594,167,642
Short-term bank deposits and bills of exchange with maturity of three months or less	<u>820,155,000</u>	<u>183,666,000</u>
Total cash and cash equivalents	<u>6,071,376,910</u>	<u>4,783,432,668</u>

The weighted average interest rate of deposits held at call with banks was 0.51% per annum (2014: 0.87% per annum).

As at 31 December 2015, interest rate of short-term bank deposits and bills of exchange with maturity of three months or less was 1.35% - 3.30% per annum (2014: 2.82% per annum).

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**8 Short-term investments**

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
Bills of exchange	<u>1,109,230,126</u>	<u>1,492,718,615</u>

As at 31 December 2015, short term investments comprise bills of exchange of US Dollars 9.99 million and Baht 750.00 million (2014: US Dollars 25.50 million and Chinese Yuan 125.00 million). Bills of exchange have the period of 5-month to 12-month and bear interests at the rates of 0.80% to 2.00% per annum (2014: 2.25% to 4.00% 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>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
Bank deposits	-	10,480,236
Government bonds	-	-
Debt instruments	-	-
Total investments in private funds	<u>-</u>	<u>10,480,236</u>

The movement of investments in private funds is as follows:

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
<b>For the year ended 31 December 2015</b>		
Opening net book amount	10,480,236	1,032,551,182
Additions	-	-
Disposals	(10,507,428)	(1,035,430,738)
Fair value adjustment	<u>27,192</u>	<u>13,359,792</u>
Closing net book amount	<u>-</u>	<u>10,480,236</u>

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**10 Trade and other receivables, net**

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
Trade accounts receivable	354,170,114	255,647,615
<u>Less</u> Allowance for doubtful accounts	-	-
Trade accounts receivable, net	354,170,114	255,647,615
Accrued airport incentive	2,843,204	253,027,273
Accrued income	49,568,722	111,865,263
Other accounts receivable	32,608,686	10,474,513
Total trade and other receivables, net	<u>439,190,726</u>	<u>631,014,664</u>

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

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
Up to 3 months	340,651,599	216,357,455
3 - 6 months	7,020,344	3,881,108
6 - 12 months	726,806	12,291,770
Over 12 months	5,771,365	23,117,282
Total trade accounts receivable	354,170,114	255,647,615
<u>Less</u> Allowance for doubtful accounts	-	-
Total trade accounts receivable, net	<u>354,170,114</u>	<u>255,647,615</u>

**Thai AirAsia Company Limited**  
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**11 Long-term investments**

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
Opening book amount	1,297,809,100	1,310,548,600
Additions	1,163,200	1,715,500
Disposals	(1,296,225,000)	-
<u>Less</u> Gain (loss) on exchange rate	9,085,000	(14,455,000)
Closing book amount	<u>11,832,300</u>	<u>1,297,809,100</u>

As at 31 December 2015, long-term investments comprise:

	<b>Held to maturity investment Baht</b>	<b>General investment Baht</b>	<b>Total Baht</b>
Fixed deposits	-	-	-
Equity securities	-	11,832,300	11,832,300
Total long-term investments	<u>-</u>	<u>11,832,300</u>	<u>11,832,300</u>

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

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**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 engines Baht</b>	<b>Aircraft spare parts Baht</b>	<b>Assets under installation Baht</b>	<b>Total Baht</b>
<b>At 1 January 2014</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>
<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 charges	(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	(50,221,908)	(50,177,712)	(27,666,502)	(110,886,000)	(73,357,386)	(973,517,115)	(472,116,460)	-	(1,757,943,083)
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>

**Thai AirAsia Company Limited**  
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**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 engines 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 2015</b>									
Opening net book amount	81,236,211	26,307,592	25,339,457	96,819,446	21,135,745	15,162,394,596	502,550,937	16,602,447	15,932,386,431
Additions	5,982,956	22,020,645	5,048,852	42,502,558	353,500	3,076,701,601	127,854,480	28,286,986	3,308,751,578
Disposals/Write-offs, net	(2)	-	(2)	(27)	(3,407,116)	-	(26)	-	(3,407,173)
Transfers/Adjustments	11,171,077	4,062,000	1,478,362	4,510,000	-	-	-	(21,554,414)	(332,975)
Depreciation charges	(24,608,148)	(10,984,878)	(7,848,263)	(31,767,397)	(5,784,814)	(944,341,046)	(76,981,727)	-	(1,102,316,273)
Closing net book amount	<u>73,782,094</u>	<u>41,405,359</u>	<u>24,018,406</u>	<u>112,064,580</u>	<u>12,297,315</u>	<u>17,294,755,151</u>	<u>553,423,664</u>	<u>23,335,019</u>	<u>18,135,081,588</u>
<b>At 31 December 2015</b>									
Cost									
<u>Less Accumulated depreciation</u>	<u>148,398,152</u>	<u>102,567,949</u>	<u>59,457,783</u>	<u>253,077,669</u>	<u>76,613,144</u>	<u>19,212,780,615</u>	<u>1,098,540,616</u>	<u>23,335,019</u>	<u>20,974,770,947</u>
	<u>(74,616,058)</u>	<u>(61,162,590)</u>	<u>(35,439,377)</u>	<u>(141,013,089)</u>	<u>(64,315,829)</u>	<u>(1,918,025,464)</u>	<u>(545,116,952)</u>	<u>-</u>	<u>(2,839,689,359)</u>
Net book amount	<u>73,782,094</u>	<u>41,405,359</u>	<u>24,018,406</u>	<u>112,064,580</u>	<u>12,297,315</u>	<u>17,294,755,151</u>	<u>553,423,664</u>	<u>23,335,019</u>	<u>18,135,081,588</u>

The leased assets included above, where the Company is a lessee under finance lease agreements, comprise aircraft and aircraft engines, total cost of which is Baht 19,212.78 million and total accumulated depreciation of Baht 1,918.03 million (2014: total cost of Baht 16,147.65 million and total accumulated depreciation of Baht 981.92 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 2014</b>			
Cost	36,603,607	3,298,938	39,902,545
<u>Less</u> Accumulated amortisation	<u>(27,943,116)</u>	<u>-</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 charges	<u>(5,487,675)</u>	<u>-</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>-</u>	<u>(33,430,791)</u>
Net book amount	<u>11,459,936</u>	<u>-</u>	<u>11,459,936</u>
<b>For the year ended 31 December 2015</b>			
Opening net book amount	11,459,936	-	11,459,936
Additions	3,381,550	1,759,880	5,141,430
Transfers	340,000	(340,000)	-
Amortisation charges	<u>(4,406,581)</u>	<u>-</u>	<u>(4,406,581)</u>
Closing net book amount	<u>10,774,905</u>	<u>1,419,880</u>	<u>12,194,785</u>
<b>At 31 December 2015</b>			
Cost	48,612,277	1,419,880	50,032,157
<u>Less</u> Accumulated amortisation	<u>(37,837,372)</u>	<u>-</u>	<u>(37,837,372)</u>
Net book amount	<u>10,774,905</u>	<u>1,419,880</u>	<u>12,194,785</u>

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**14 Other non-current assets**

	<b>Note</b>	<b>2015 Baht</b>	<b>2014 Baht</b>
Aircraft rental deposits	25.7	748,209,343	630,333,888
Airport operation deposit		34,600,000	34,600,000
Fuel price swap deposit	25.7	17,961,650	16,406,400
Rental deposits		42,158,417	46,610,702
Prepaid expenses		9,216,373	10,880,712
Other deposits		149,675,386	73,845,881
Total other non-current assets		<u>1,001,821,169</u>	<u>812,677,583</u>

**15 Finance lease liabilities**

Finance lease liabilities - minimum lease payments:

	<b>2015 Baht</b>	<b>2014 Baht</b>
Within 1 year	1,709,396,605	1,365,914,441
Later than 1 year but not later than 5 years	6,765,109,949	5,451,922,249
Later than 5 years	8,033,497,105	7,737,871,073
<u>Less</u> Future finance charges on finance leases	<u>(2,471,164,925)</u>	<u>(2,478,739,612)</u>
	<u>14,036,838,734</u>	<u>12,076,968,151</u>

Representing lease liabilities:

- Current portion	1,261,443,422	959,006,292
- Non-current portion	<u>12,775,395,312</u>	<u>11,117,961,859</u>
	<u>14,036,838,734</u>	<u>12,076,968,151</u>

The present value of finance lease liabilities is as follows:

	<b>2015 Baht</b>	<b>2014 Baht</b>
Within 1 year	1,676,545,078	1,338,730,452
Later than 1 year but not later than 5 years	6,104,530,065	4,889,550,263
Later than 5 years	<u>6,255,763,591</u>	<u>5,848,687,436</u>
	<u>14,036,838,734</u>	<u>12,076,968,151</u>

During the year, the Company entered into two 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.

**16 Deferred income taxes**

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

The analyses of deferred tax assets and deferred tax liabilities are as follows:

	<b>2015</b>	<b>2014</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	1,545,401,106	1,349,962,476
<b>Deferred tax liabilities:</b>		
Deferred tax liabilities to be settled after more than 12 months	<u>(2,057,349,183)</u>	<u>(1,701,774,712)</u>
<b>Deferred tax liabilities, net</b>	<u>(511,948,077)</u>	<u>(351,812,236)</u>

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

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
	<u>                    </u>	<u>                    </u>
At 1 January	(351,812,236)	(309,747,735)
Credited to profit or loss	(154,300,658)	(39,727,465)
Credited to other comprehensive income	<u>(5,835,183)</u>	<u>(2,337,036)</u>
At 31 December	<u>(511,948,077)</u>	<u>(351,812,236)</u>

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**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 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	<u>186,660,629</u>	<u>29,326,077</u>	<u>-</u>	<u>1,133,975,770</u>	<u>1,349,962,476</u>
At 1 January 2015	186,660,629	29,326,077	-	1,133,975,770	1,349,962,476
Charged (credited) to profit or loss	(53,251,658)	9,180,160	-	245,345,310	201,273,812
Credited to other comprehensive income	-	(5,835,183)	-	-	(5,835,183)
At 31 December 2015	<u>133,408,971</u>	<u>32,671,054</u>	<u>-</u>	<u>1,379,321,080</u>	<u>1,545,401,106</u>

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

	<b>Finance lease Baht</b>	<b>Total Baht</b>
<b>Deferred tax liabilities</b>		
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	<u>(1,701,774,712)</u>	<u>(1,701,774,712)</u>
At 1 January 2015	(1,701,774,712)	(1,701,774,712)
Credited to profit or loss	(355,574,471)	(355,574,471)
At 31 December 2015	<u>(2,057,349,183)</u>	<u>(2,057,349,183)</u>

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**17 Income taxes**

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
<b>Current taxes:</b>		
Adjustment in respect of prior year	-	(34,920,945)
<b>Deferred taxes:</b>		
- Deferred tax assets	(201,273,813)	(542,464,071)
- Deferred tax liabilities	355,574,471	582,191,536
Total income taxes	<u>154,300,658</u>	<u>4,806,520</u>

Income taxes on the Company's profit before taxes differ from the theoretical amount based on the basic tax rate of the home country of the Company due to the following:

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
Profit before income taxes	<u>2,145,320,263</u>	<u>340,090,102</u>
Tax calculated at a tax rate of 20%	429,064,052	68,018,020
Tax effects of:		
Profit exempted from corporate income taxes due to promotional privileges under BOI	(430,193,999)	(268,666,793)
Expenses not deductible for tax purpose	10,438,732	7,994,868
Difference in finance leases under promotional privilege period	110,229,161	232,381,370
Utilisation of previously unrecognised tax losses	34,762,712	-
Adjustment in respect of prior year	-	(34,920,945)
Tax charge	<u>154,300,658</u>	<u>4,806,520</u>

The weighted average applicable tax rate was 7.19% (2014: 1.41%).

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

Tax charges relating to component of other comprehensive income are as follows:

	2015			2014		
	Before tax Baht	Tax charge Baht	After tax Baht	Before tax Baht	Tax charge Baht	After tax Baht
Remeasurement of employee benefit obligations	29,175,913	(5,835,183)	23,340,730	11,685,182	(2,337,036)	9,348,146
Other comprehensive income	29,175,913	(5,835,183)	23,340,730	11,685,182	(2,337,036)	9,348,146
Current taxes		-			-	
Deferred taxes		(5,835,183)			(2,337,036)	
		<u>(5,835,183)</u>			<u>(2,337,036)</u>	

**18 Employee benefit obligations**

	2015 Baht	2014 Baht
Statement of financial position		
Retirement benefits	168,945,620	157,547,925
Statement of comprehensive income		
Retirement benefits	42,178,576	36,235,647
Remeasurement for retirement benefits recognised in the statement of comprehensive income	(29,175,913)	(11,685,182)
Cumulative remeasurement for retirement benefits recognised in the statement of comprehensive income	(52,535,781)	(23,359,868)

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

	2015 Baht	2014 Baht
Opening book amount	157,547,925	132,997,460
Current service costs	36,916,484	30,673,843
Interest costs	5,262,092	5,561,804
Remeasurements:		
Gain from exchange in demographic assumptions	(26,765,080)	(12,972,965)
Loss from change in financial assumptions	10,206,386	18,172,181
Experience gain	(12,617,219)	(16,884,398)
Benefits paid	(1,604,968)	-
Closing book amount	<u>168,945,620</u>	<u>157,547,925</u>

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

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

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
Current service costs	36,916,484	30,673,843
Interest costs	5,262,092	5,561,804
Total, included in staff costs	<u>42,178,576</u>	<u>36,235,647</u>

The principal actuarial assumptions used are as follows:

		<b>2015</b>	<b>2014</b>
Discount rate	% per annum	2.92	3.34
Salary incremental rate	% per annum	5.59 - 10.00	5.59 - 10.00
Staff turnover rate	% per annum	0.00 - 12.00	0.00 - 10.00

**Impact on defined benefit obligation**

	<b>Change in assumption</b>	<b>Increase in assumption</b>	<b>Decrease in assumption</b>
Discount rate	1%	Decrease by 12.27%	Increase by 14.78%
Salary incremental rate	1%	Increase by 14.27%	Decrease by 12.13%
Staff turnover rate	1%	Decrease by 13.38%	Increase by 11.42%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

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**19 Share capital**

	<b>Par value Baht</b>	<b>Number of authorised ordinary shares Shares</b>	<b>Issued and paid-up ordinary shares Shares</b>	<b>Issued and paid-up ordinary shares Baht</b>	<b>Share premium Baht</b>	<b>Total Baht</b>
At 1 January 2014	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	10	43,555,560	43,555,560	435,555,600	2,628,786,469	3,064,342,069
Issue of shares	-	-	-	-	-	-
At 31 December 2015	10	43,555,560	43,555,560	435,555,600	2,628,786,469	3,064,342,069

The total number of authorised ordinary shares is 43,555,560 shares (2014: 43,555,560 shares) with a par value of Baht 10 per share (2014: Baht 10 per share). All issued shares are fully paid.

**20 Dividends paid**

At the Board of Directors Meeting held on 11 August 2015, the Board of Directors approved the payment of interim dividends in respect of the retained earnings derived from activities under promotional privileges from the Board of Investment (“BOI”) as of 30 June 2015 at Baht 22 per share (2014: Nil) for 43,555,560 ordinary shares, totalling Baht 958.22 million (2014: Nil). The dividends were paid to shareholders on 19 August 2015.

**21 Legal reserve**

	<b>2015 Baht</b>	<b>2014 Baht</b>
At 1 January 2015	-	-
Appropriation during the year	43,555,560	-
At 31 December 2015	43,555,560	-

Under the Public Limited Company Act., B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10 percent of the registered capital. The legal reserve is non-distributable.



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**22 Revenues from sales and services**

Revenues from sales and services are as follows:

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
Passenger service revenues	22,091,893,669	18,154,708,921
Baggage handling and other service fees	4,811,362,443	5,561,579,215
Charter flight revenues	2,081,089,616	1,175,896,988
In-flight revenues	322,959,745	260,875,934
Freight revenues	200,000,000	202,453,859
Total revenues	<u>29,507,305,473</u>	<u>25,355,514,917</u>

**23 Expenses by nature**

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

	<b>Notes</b>	<b>2015</b>	<b>2014</b>
		<b>Baht</b>	<b>Baht</b>
Depreciation and amortisation	12,13	1,106,722,854	804,196,846
Staff costs		3,377,679,708	2,799,564,751
Fuel costs		9,830,407,370	11,272,295,601
Aircraft rental	25.2	4,147,355,311	3,750,883,931
Repair and maintenance		2,337,954,895	1,861,852,842
Ramp and airport operations costs		3,362,626,401	2,291,867,842

**24 Earnings per share**

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

	<b>2015</b>	<b>2014</b>
Net profit for the year (Baht)	1,991,019,605	335,283,582
Weighted average number of paid-up ordinary shares		
outstanding (Shares)	43,555,560	43,555,560
Basic earnings per share (Baht)	45.71	7.70

The Company does not have dilutive ordinary shares as at 31 December 2015 and 2014.

## **25 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 2015, the Company are controlled by Asia Aviation Public Company Limited which owns 55% of the shares of the Company (31 December 2014: 55%).

For reporting purposes, AirAsia Berhad, who holds 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:

### **25.1) Income**

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
<b>Other related parties</b>		
Interest income	14,442,708	8,291,867
Other administrative fees	44,443,238	9,888,280

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

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
<b>Other related parties</b>		
Share of loss from fuel price swap agreements	1,298,054,586	312,406,466
Share of staff costs for accounting and other services	37,644,887	31,371,651
Aircraft rental	4,147,355,311	3,750,883,931
Aircraft repair and maintenance	1,527,210,017	1,502,123,611
Purchases of merchandises and equipment	244,699,899	228,167,100
Management fee expenses	16,595,132	15,649,508
Booking fee expenses	133,141,805	104,976,328
Pilot training expenses	119,707,049	84,540,826
Brand license fee expenses	307,867,500	244,381,651

**25 Related party transaction (Cont'd)**

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

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

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
	<u>                    </u>	<u>                    </u>
<b>Parent company</b>		
Management fee expenses	25,000,000	25,000,000

**25.3) Management remunerations**

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

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
	<u>                    </u>	<u>                    </u>
Salaries and other short-term employee benefits	75,079,537	88,255,894
Retirement benefits	6,073,888	5,055,044
	<u>81,153,425</u>	<u>93,310,938</u>

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

**25.4) Amounts due from related parties**

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
	<u>                    </u>	<u>                    </u>
Other related parties	326,208,917	68,162,932

Amounts due from related parties have been charged with the interest for overdue amount at 6.00% per annum (2014: 6.00% per annum).

**25.5) Amounts due to related parties**

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
	<u>                    </u>	<u>                    </u>
Other related parties	917,878,501	472,709,254

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

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

**25.6) Aircraft maintenance reserves**

AirAsia Berhad, the Company's related party, entered into an Aircraft maintenance services agreement with the Company. Under this agreement, the Company makes prepayments for the aircraft maintenance reserves based on the number of aircraft, number of engines and number of hours flown. These aircraft maintenance reserves are managed by AirAsia Berhad for future maintenance/overhaul deemed necessary to be performed once the aircraft reaches certain engine hours/hours flown. AirAsia Berhad does not use the prepayments for any investments.

**25.7) Other non-current assets**

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
<b>Other related parties</b>		
Aircraft rental deposits	748,209,343	630,333,888
Fuel price swap deposit	17,961,650	16,406,400
	<u>766,170,993</u>	<u>646,740,288</u>

## 26 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>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
Within 1 year	47,449,315	42,611,872
Later than 1 year but not later than 5 years	4,958,386	5,306,226
Total	<u>52,407,701</u>	<u>47,918,098</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, which is a related company, and another third party lessor, and insurance agreements of aircraft and aircraft engines as follows:

	<b>2015</b>		<b>2014</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	126,647,808	1,003,906	115,260,000	2,993,762
Later than 1 year but not later than 5 years	481,391,232	-	459,325,479	-
Later than 5 years	220,655,835	-	275,132,384	-
Total	<u>828,694,875</u>	<u>1,003,906</u>	<u>849,717,863</u>	<u>2,993,762</u>

## 27 Guarantees

As at 31 December 2015, 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 178.17 million (31 December 2014: Baht 99.29 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.

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**28 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:

	2015			2014		
	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	23.58	7.90	0.09	12.38
Guarantees relating to maintenance reserve fund	-	27.62	-	-	9.59	-
<b>Total</b>	<b>7.90</b>	<b>27.71</b>	<b>23.58</b>	<b>7.90</b>	<b>9.68</b>	<b>12.38</b>

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

	2015			2014		
	Baht million	US Dollars million	Indian Rupee million	Baht million	US Dollars million	Indian Rupee million
Saving account	85.38	-	-	171.01	-	-
Current account	-	7.61	12.68	-	-	12.68
<b>Total</b>	<b>85.38</b>	<b>7.61</b>	<b>12.68</b>	<b>171.01</b>	<b>-</b>	<b>12.68</b>

**29 Promotional privileges**

On 13 March 2013, the Company received a certificate of promotional privileges from the Board of Investment (“BOI”) for 24 aircraft for air transportation business. The main privileges include exemption from payment of import duty on aircraft and related spare parts and exemption from corporate income taxes for the promoted activities for a period of eight years starting from the date on which the Company started earning income from the promotes activities. To be entitled to the privileges, the Company must comply with the conditions and restrictions provided in the promotional certificates. The conditions are that the Company’s authorised and paid-up share capital is not less than Baht 435.50 million.

As at 31 December 2015, the Company had received 17 aircraft under such certificate of promotional privileges from the BOI (as at 31 December 2014: 12 aircraft).

**30 Event after the reporting period**

On 8 January 2016, the Company received one additional Airbus A320-216 aircraft. The expansion of the subsidiary's fleet was to support the launch of new routes and increase the frequency of flights on the subsidiary's existing routes. The aircraft was acquired under operating lease agreement for the period of 9 years.