BOC AVIATION

GLOBAL GROWTH

BOC Aviation Annual Report 2014

BOC Aviation is a leading global aircraft leasing company with a portfolio of 250 owned and managed aircraft operated by 60 airlines in 31 countries, with commitments to acquire 201 aircraft, as of 31 December 2014. The Company has one of the youngest fleets in the industry with an average owned aircraft age of less than four years. BOC Aviation, owned by Bank of China, is based in Singapore with offices in Dublin, London, Seattle and Tianjin.

CHAIRMAN'S MESSAGE

2014 marked the eighth year of Bank of China's ownership of BOC Aviation, and another year of rapid and sound growth for the company. In 2014, BOC Aviation's assets rose 12% to US$11.4 billion as the fleet reached 250 aircraft for the first time, from 226 the year earlier. The company recorded a new record net profit after tax of US$308.6 million, an increase of 11% over the previous year.

More importantly, as one of the top five aircraft leasing companies globally and as the largest aircraft leasing company based in Asia, BOC Aviation has played an important role in the internationalisation of Bank of China's business.

In 2014, BOC Aviation extended its global reach. The company opened new subsidiaries in London, England and Tianjin, China, adding to offices in Dublin, Ireland and Seattle, USA, which further expanded its coverage and enhanced its strength of sustainable development. By leveraging on Bank of China's global network and working closely with the Group in such areas as marketing, co-sharing of resources and risk prevention, BOC Aviation together with the rest of Bank of China Group serves Fortune 500 companies in the aviation world such as Airbus, Boeing and GE.

> "BOC Aviation's assets rose 12% to US$11.4 billion as the fleet reached 250 aircraft for the first time."

BOC Aviation takes a serious view of good corporate governance. In 2014, the Board convened three meetings and discharged its oversight function with the support of four board committees. During the year, Ms. Zhu Lin, Deputy General Manager of BOC Risk Management Department, joined BOC Aviation as a member of the Board of Directors, and as a member of the Risk Committee.

In the coming years, the aviation industry will be gearing up for significant technological improvements amid rapid global economic change. Access to Bank of China's financial strength and global reach will help support BOC Aviation when it needs to be nimble in this growth phase, to serve customers better and to make further contributions to achieving the Group's corporate strategic goal of "shouldering social responsibility and being the best bank".

On behalf of the Board of Directors of BOC Aviation, I'd like to thank our customers and business partners for their ongoing support, and our shareholder, directors, management and employees for driving BOC Aviation's continued success. Together with the rest of Bank of China Group, we are here to offer services that will take you further.

Chen Siqing
Chairman

CEO'S MESSAGE

> "The return on equity in 2014 was above 15%, an achievement all staff can be proud of."

In 2014, BOC Aviation took a number of important strategic steps as we achieved another set of financial milestones and we positioned ourselves with a strong foundation for growth in the coming years.

BOC Aviation posted another record year of net profit after tax in 2014, rising 11% to US$308.6 million as revenue rose 8% to US$988.4 million as compared to 2013. Total assets grew 12% to US$11.4 billion. Total equity improved to US$2.1 billion. The return on equity in 2014 was above 15%, an achievement to be proud of.

We ended the year with a portfolio of 250 aircraft, a new milestone as we celebrated 21 years of operations, all profitable. As of 31 December, we owned 230 aircraft and managed another 20 in service with 60 airlines in 31 countries worldwide. The portfolio is a fuel-efficient modern fleet principally comprising Airbus A320 family, Airbus A330, Boeing 737NG family and Boeing 777-300ER aircraft. Our owned fleet averages less than four years of age, one of the youngest in the industry. During the year, we took delivery of a record 57 aircraft, new from the manufacturers, signed leases for 79 aircraft and added nine new customers. We actively managed our portfolio, and generated gains, by selling 33 aircraft from our owned fleet in 2014.

To position for future growth, we announced orders for 125 new aircraft for delivery until 2021. These included 80 Boeing 737 aircraft and 43 Airbus A320 family aircraft, the most in-demand narrow-body aircraft. These add to our significant scale, and increased our order book to more than 200 aircraft, positioning us well to meet our customers' needs, in an environment of rising air travel demand and with older, less efficient aircraft models expected to exit our customers' fleets over the next seven years. The future demands operationally efficient, modern aircraft for a growing global air transport market.

BOC Aviation built its team strategically over the course of its 21-year history. The core management team has been together, and managed through multiple cycles, over the course of more than a decade. In 2014, we made five major appointments, with Steven Townend, a 14-year veteran of BOC Aviation, moving to London to head our new subsidiary as Chief Commercial Officer for Europe, Americas and Africa; Chris Gao, a member of our Board of Directors since December 2006, taking up the role of Chief Commercial Officer for Asia Pacific and Middle East; David Walton joining us in the new position of Chief Operating Officer; Graham Lees, who has been with us for 13 years, becoming our Head of Aircraft Sales; and Nick Devall joining us as Head of Airline Leasing and Sales for Asia Pacific and Middle East. These key appointments set us up for the next stage of growth and position us to continue to deliver world-class fleet solutions for our customers and industry-leading returns for our shareholder.

At the end of 2014, we had 128 employees of 13 nationalities based in offices in Singapore, Europe and USA. We opened new subsidiaries in London, England and Tianjin, China to better reflect our global operations and be closer to our customers and financiers.

We raised more than US$2 billion in financing, including becoming the first global aircraft lessor to issue 10-year offshore RMB bonds. We issued for the first time Australian dollar denominated bonds. We maintained our investment grade credit ratings from Fitch Ratings and Standard & Poor's (S&P) in 2014, and in March 2015, S&P upgraded our corporate ratings from BBB to A-. We ended 2014 with US$367 million in total cash and fixed deposits, and more than US$2 billion in unutilised committed credit facilities. We have an efficient capital structure with a net debt-to-equity ratio of 3.8 : 1 at end-2014 and an average cost of debt of less than 2% in 2014.

BOC Aviation's success through more than two decades of change and challenge is built on visionary leadership, innovation, attention to our customers, financial savvy, risk-awareness, discipline and above all, professionalism. We continue to strive to do better, and have laid down foundations for a new phase of growth. In this, I thank our employees, who once again in 2014 rose to the occasion and delivered record results.

Robert Martin
Managing Director & Chief Executive Officer

2014 IN REVIEW

Opened a London office in June 2014

Opened a China subsidiary in Tianjin in November 2014

Expanded our presence with offices in **Asia and Europe**

Managed 20

250 Owned and Managed Fleet

Owned 230

5 key appointments announced

Steven Townend as Chief Commercial Officer for Europe, Americas & Africa

Chris Gao as Chief Commercial Officer for Asia Pacific and Middle East

Graham Lees as Head of Aircraft Sales

Nick Devall as Head of Airline Leasing & Sales for Asia Pacific and Middle East

David Walton as Chief Operating Officer

Investment grade credit ratings

A- from Fitch

&

A- [1] from Standard & Poor's

Announced orders for **125** new aircraft

82 Boeing aircraft
- 50 737-8 MAX aircraft
- 30 737-800NG aircraft
- 2 777-300ER aircraft

43 Airbus A320 Family aircraft
- 36 A320 CEO aircraft
- 7 A320 NEO aircraft

Transactions

Record **57** NEW owned aircraft delivered

38 [2] aircraft sales

9 NEW customers

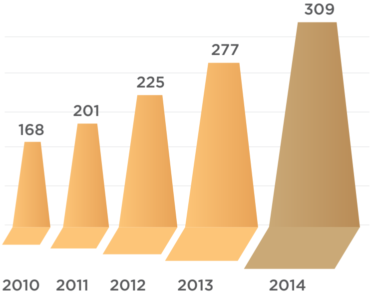
79 leases signed

1 Upgraded from BBB to A- on 19 March 2015

2 Total portfolio (owned and managed)

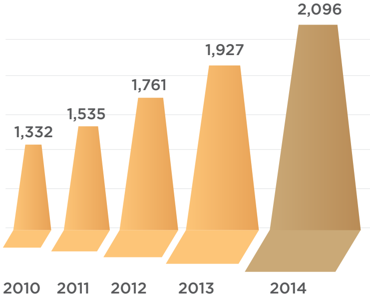
FINANCIAL HIGHLIGHTS

Net Profit After Tax (US$ million)



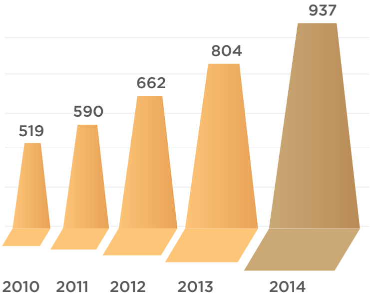
+11%

Total Equity (US$ million)



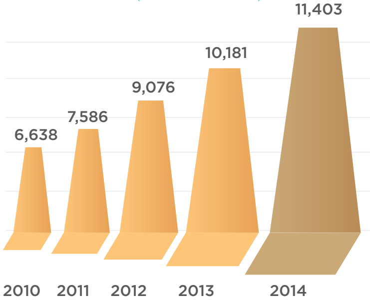
+9%

Lease Rental Income (US$ million)



+17%

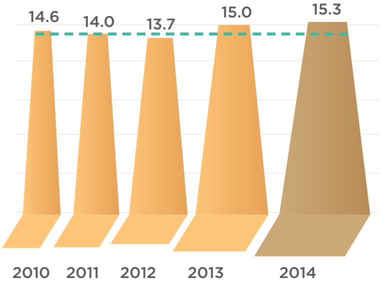
Total Assets (US$ million)



+12%

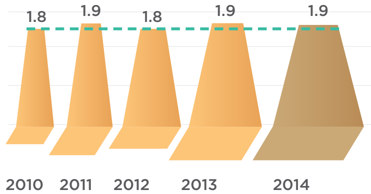
All data as at 31 December of relevant year

Return on Equity (%)



2013 : 15.0 | **2014 : 15.3**

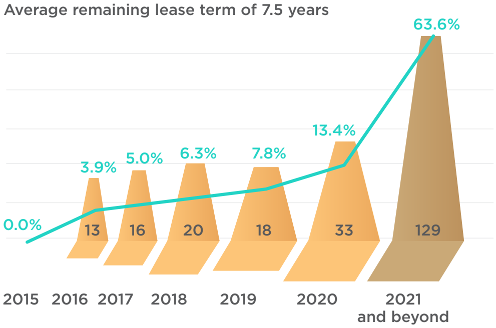
Average Cost of Debt [1] (%)



2013 : 1.9 | **2014 : 1.9**

Long-Term Contracted Leases [2]

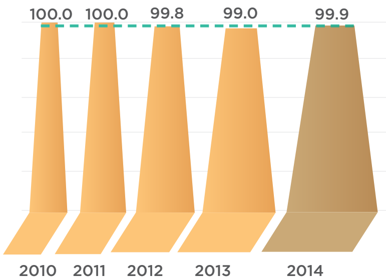
Average remaining lease term of 7.5 years



63.6% expire beyond 2020

Fleet Utilisation [3] (%)

Average fleet utilisation: 99.7%



2013 : 99.0 | **2014 : 99.9**

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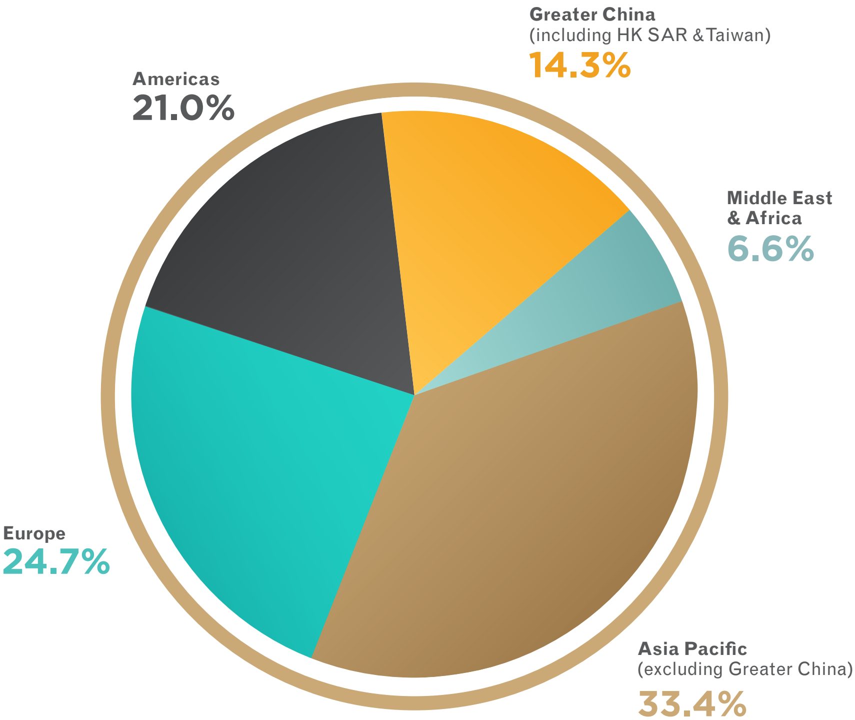
1 Average cost of debt is computed as Finance Expenses / Average Gross Debt

2 Owned aircraft with leases expiring in each calendar year, which are not yet committed for lease as at 31 December 2014; percentages weighted by Net Book Value

3 Fleet utilisation is the total days on-lease in the period as a percentage of total available lease days in the period

GLOBALLY DIVERSIFIED REVENUE BASE

Distribution of Lease Rentals by Region [1]



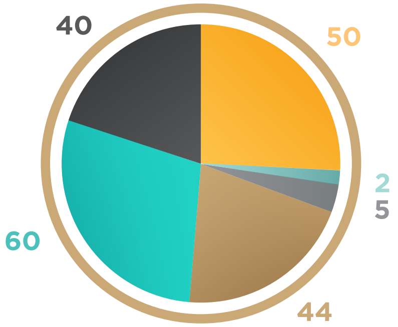
1 By contracted monthly lease rental income as at 31 December 2014

OWNED FLEET SUMMARY

Number of owned aircraft [1]	2010	2011	2012	2013	2014
Airbus A320 family	63	71	82	86	103
Airbus A330 family	0	1	1	6	10
Boeing 737NG family	60	67	69	78	82
Boeing 737-400	1	1	0	0	0
Boeing 777-300ER	9	11	13	16	15
Boeing 777-300	4	4	4	4	2
Embraer E190 family	0	2	6	10	14
Freighters	3	1	4	6	4
Total	140	158	179	206	230

ORDERBOOK

Number of aircraft committed for purchase [2]



Total aircraft

201

Aircraft on order

- Airbus A320CEO family
- Airbus A320NEO family
- Airbus A330 family
- Boeing 737NG family
- Boeing 737-8 MAX
- Boeing 777-300ER

1 All data as at 31 December of relevant year

2 As at 31 December 2014, includes commitments under purchase and leaseback transactions

SENIOR MANAGEMENT TEAM

Robert Martin

Managing Director & Chief Executive Officer

Wang Genshan

Vice-Chairman & Deputy Managing Director

Phang Thim Fatt

Deputy Managing Director & Chief Financial Officer

Steven Townend

Chief Commercial Officer (Europe, Americas & Africa)

Chris Gao

Chief Commercial Officer (Asia Pacific & Middle East)

David Walton

Chief Operating Officer

BOC AVIATION PTE. LTD. AND
ITS SUBSIDIARY COMPANIES
(Incorporated in Singapore. Registration No. 199307789K)

FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

Building a better
working world

FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

Contents

The Directors present their report to the member together with the audited consolidated financial statements of BOC Aviation Pte. Ltd. (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet of the Company for the financial year ended 31 December 2014.

Directors

The Directors of the Company in office at the date of this report are as follows:

Chen Siqing	Chairman
Wang Genshan	Vice-Chairman and Deputy Managing Director
Robert James Martin	Managing Director and Chief Executive Officer
Gao Jinyue	Director (Executive Director with effect from 5 December 2014)
Fu Shula	Director
Dr Xiao Wei	Director
Liu Jiandong	Director
Fang Yu	Director
Shi Jing	Director
Zhu Lin	Director

Arrangements to enable Directors to acquire shares, options and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares, options and debentures of the Company or any other body corporate.

Directors' interests in shares, options or debentures

No Director who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, interest in shares of the Company or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Directors' contractual benefits

Since the end of the previous financial year, no Director of the Company has received or has become entitled to receive benefits by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Audit Committee

The members of the Audit Committee at the date of this report are as follows:

Dr Xiao Wei	Chairman, non-executive member
Wang Genshan	Executive member
Shi Jing	Non-executive member

The Audit Committee reviews the Company's statutory consolidated financial statements, and the Independent Auditor's Report thereon, with the auditors.

The Audit Committee may examine any aspect of the Group's financial affairs it deems appropriate and also reviews the Group's internal controls over its internal and external exposures to risks including operational, credit, market, legal and regulatory risks. It will keep under review the Group's system of accounting and internal financial controls, for which the Directors are responsible.

The Audit Committee has full access to, and the co-operation of, the Group's management and has full discretion to invite any Director or executive officer to its meetings. The Deputy Managing Director and Chief Financial Officer, the Chief Accounting Officer and the Head of Internal Audit will attend meetings by invitation and the auditors will have unrestricted access to the Audit Committee. The Audit Committee has reasonable resources available to enable it to discharge its functions properly and may require the Company to appoint third parties to undertake independent audits of specific areas as it deems appropriate.

Independent Auditor

Ernst & Young LLP has expressed its willingness to accept reappointment as auditor. The appointment is subject to shareholder's approval at the forthcoming Annual General Meeting.

On behalf of the Board of Directors:

Chen Siqing
Director

Robert James Martin
Director

Singapore
6 March 2015

We, Chen Siqing and Robert James Martin, being two of the Directors of BOC Aviation Pte. Ltd., do hereby state that, in the opinion of the Directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors:

Chen Siqing
Director

Robert James Martin
Director

Singapore
6 March 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BOC AVIATION PTE. LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of BOC Aviation Pte. Ltd. (the "Company") and its subsidiary companies (collectively, the "Group") set out on pages 6 to 80, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2014, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we 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 controls relevant to the entity's preparation of financial statements that give a true and fair view 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 controls. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BOC AVIATION PTE. LTD.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Other matter

The financial statements of BOC Aviation Pte. Ltd. and its subsidiary companies for the financial year ended 31 December 2013, were audited by another auditor who expressed an unqualified opinion on those statements on 20 March 2014.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

6 March 2015

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED INCOME STATEMENT
For the financial year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000
Revenues			
Lease rental income	4	**936,916**	804,112
Interest and fee income	5	**11,607**	27,951
Other income:			
- Net gain on sale of aircraft	6	**30,291**	76,471
- Others		**8,820**	10,127
Allowance for doubtful debts written back			
- Trade receivables	16	**779**	–
- Other receivables	17	**20**	–
		988,433	918,661
Costs and expenses			
Depreciation of plant and equipment	12	**381,247**	336,346
Marketing and travelling expenses		**5,048**	4,254
Amortisation of deferred debt issue costs	7	**14,546**	14,635
Amortisation of lease transaction closing costs	13	**171**	306
Finance expenses	8	**150,780**	135,689
Staff costs	9	**51,230**	40,654
Other operating expenses	10	**9,545**	28,310
Impairment of aircraft	12	**23,100**	42,800
Bad debts written off		**–**	4,736
		(635,667)	(607,730)
Profit before income tax		**352,766**	310,931
Income tax expense	11	**(44,192)**	(33,870)
Profit for the year attributable to owner of the Company		**308,574**	277,061

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Note	**2014**	2013
		US$'000	US$'000
Profit net of tax		**308,574**	277,061
Other comprehensive income:			
Item that may be reclassified subsequently to income statement			
Effective portion of changes in fair value of cash flow hedges, net of tax	33	**205**	1,507
Total comprehensive income		**308,779**	278,568

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES
BALANCE SHEETS
As at 31 December 2014

		Group		Company	
		2014	2013	**2014**	2013
	Note	**US$'000**	US$'000	**US$'000**	US$'000
Non-current assets					
Plant and equipment	12	**11,015,308**	9,594,313	**4,473,501**	4,253,037
Lease transaction closing costs	13	**661**	1,365	**1,277**	1,910
Finance lease receivables from a subsidiary company	36	**–**	–	**71,002**	77,054
Derivative financial instruments	30	**1,476**	–	**1,476**	–
Amounts due from subsidiary companies	14	**–**	–	**1,851,273**	818,601
Investments in subsidiary companies	15	**–**	–	**695,630**	697,176
Other non-current assets		**–**	7,313	**–**	–
		11,017,445	9,602,991	**7,094,159**	5,847,778
Current assets					
Finance lease receivables from a subsidiary company	36	**–**	–	**6,052**	5,717
Trade receivables	16	**4,783**	55	**65**	41
Prepayments		**1,652**	1,094	**1,529**	871
Other receivables	17	**11,677**	38,401	**9,008**	4,808
Derivative financial instruments	30	**213**	722	**213**	722
Fixed deposits	18	**212,204**	455,435	**113,948**	387,035
Cash and bank balances	19	**155,200**	82,727	**105,614**	20,241
		385,729	578,434	**236,429**	419,435
Total assets		**11,403,174**	10,181,425	**7,330,588**	6,267,213
Current liabilities					
Derivative financial instruments	30	**5,030**	5,557	**5,030**	5,557
Trade payables	20	**40,147**	42,248	**18,186**	21,201
Other payables	21	**64,634**	129,955	**54,518**	91,112
Income tax payables		**94**	614	**–**	–
Loans and borrowings	22	**889,318**	685,686	**448,864**	211,450
Finance lease payables to subsidiary companies	24	**–**	–	**120,532**	99,973
Finance lease payables	25	**8,776**	6,585	**8,776**	6,585
Security deposits	26	**36,438**	29,034	**9,771**	15,278
Deferred asset value guarantee fees	28	**–**	30	**–**	30
		1,044,437	899,709	**665,677**	451,186
Net current liabilities		**(658,708)**	(321,275)	**(429,248)**	(31,751)
Non-current liabilities					
Derivative financial instruments	30	**73,168**	5,390	**73,168**	5,390
Loans and borrowings	22	**7,272,301**	6,569,412	**3,941,054**	3,103,275
Finance lease payables to subsidiary companies	24	**–**	–	**880,928**	1,001,435
Finance lease payables	25	**76,802**	52,812	**76,802**	52,812
Security deposits	26	**177,107**	164,136	**117,202**	109,838
Deferred lease income	26	**19,061**	26,474	**13,130**	20,683
Maintenance reserves	27	**383,940**	335,456	**115,718**	122,515
Deferred income tax liabilities	29	**219,953**	175,368	**32,135**	25,384
Other non-current liabilities	23	**39,994**	26,036	**31,678**	16,985
		8,262,326	7,355,084	**5,281,815**	4,458,317
Total liabilities		**9,306,763**	8,254,793	**5,947,492**	4,909,503
Net assets		**2,096,411**	1,926,632	**1,383,096**	1,357,710
Equity attributable to owner of the Company					
Share capital	32	**607,601**	607,601	**607,601**	607,601
Revenue reserve		**1,488,810**	1,319,236	**775,495**	750,109
Hedging reserve	33	**–**	(205)	**–**	–
Total equity		**2,096,411**	1,926,632	**1,383,096**	1,357,710
Total equity and liabilities		**11,403,174**	10,181,425	**7,330,588**	6,267,213

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2014

	Note	Attributable to owner of the Company			
		Share capital US$'000	**Revenue reserve US$'000**	**Hedging reserve US$'000**	**Total equity US$'000**
2013					
Balance at 1 January 2013		**607,601**	**1,155,175**	**(1,712)**	**1,761,064**
Profit net of tax		–	277,061	–	277,061
Other comprehensive income	33	–	–	1,507	1,507
Total comprehensive income		–	277,061	1,507	278,568
Dividend paid to owner	34	–	(113,000)	–	(113,000)
Balance at 31 December 2013		**607,601**	**1,319,236**	**(205)**	**1,926,632**
2014					
Balance at 1 January 2014		**607,601**	**1,319,236**	**(205)**	**1,926,632**
Profit net of tax		–	308,574	–	308,574
Other comprehensive income	33	–	–	205	205
Total comprehensive income		–	308,574	205	308,779
Dividend paid to owner	34	–	(139,000)	–	(139,000)
Balance at 31 December 2014		**607,601**	**1,488,810**	**–**	**2,096,411**

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2014

	Note	2014	2013
		US$'000	US$'000
Cash flows from operating activities:			
Profit before income tax		**352,766**	310,931
Adjustments for:			
Depreciation of plant and equipment	12	**381,247**	336,346
Impairment of aircraft	12	**23,100**	42,800
Amortisation of deferred debt issue costs	7	**14,546**	14,635
Amortisation of lease transaction closing costs	13	**171**	306
Net gain on sale of aircraft	6	**(30,291)**	(76,471)
Asset value guarantee fees recognised	5	**(30)**	(84)
Allowance for doubtful debts (trade) written back	16	**(779)**	–
Allowance for doubtful debts (non-trade) written back	17	**(20)**	–
Bad debts written off		**–**	4,736
Interest income		**(7,871)**	(21,234)
Finance expenses	8	**150,780**	135,689
Operating profit before working capital changes		**883,619**	747,654
(Increase)/Decrease in receivables		**(5,669)**	16,295
Decrease in finance lease receivables		**–**	17,440
(Decrease)/Increase in payables		**(23,545)**	9,732
Increase in maintenance reserves		**84,375**	79,597
Cash generated from operations		**938,780**	870,718
Security deposit received/(paid), net		**12,962**	(47,173)
Lease transaction closing costs paid	13	**(272)**	(1,062)
Income tax (paid)/refund, net		**(127)**	29
Interest income received		**10,326**	16,143
Net cash provided by operating activities		**961,669**	838,655
Cash flows from investing activities:			
Purchase of plant and equipment	12	**(3,144,182)**	(2,502,588)
Proceeds from sale of plant and equipment	6	**1,315,861**	913,303
Net cash used in investing activities		**(1,828,321)**	(1,589,285)
Cash flows from financing activities:			
Proceeds from loans and borrowings		**2,153,061**	2,359,358
Repayment of loans and borrowings		**(1,155,185)**	(1,465,051)
Finance expenses paid		**(149,908)**	(135,180)
Debt issue costs paid		**(13,075)**	(21,154)
Dividend paid		**(139,000)**	(113,000)
(Increase)/Decrease in cash and bank balances - encumbered		**(98,326)**	13,333
Net cash provided by financing activities		**597,567**	638,306
Net decrease in cash and cash equivalents		**(269,085)**	(112,324)
Cash and cash equivalents at beginning of year		**501,229**	613,553
Cash and cash equivalents at end of year	31	**232,144**	501,229

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

1. General information

BOC Aviation Pte. Ltd. (the “Company”) is a limited liability company incorporated and domiciled in Singapore. The immediate holding company is Sky Splendor Limited, which is incorporated in the Cayman Islands. The intermediate holding company is Bank of China Limited, which is owned by Central Huijin Investment Ltd. The intermediate holding company and its parent company are incorporated in the People's Republic of China.

The registered address of the Company is 8 Shenton Way, #18-01, Singapore 068811.

The principal activities of the Company, which are conducted in Singapore, are the leasing of aircraft, management of aircraft leases and other related activities. The subsidiary companies are primarily engaged in the leasing of aircraft. The principal activities and place of business of each subsidiary company are disclosed in Note 15.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").The financial statements have been prepared on a historical cost convention except as disclosed in the accounting policies below.

The accounting policies adopted are consistent with those of the previous year except in the current year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements, are disclosed in Note 3.

Going concern assumption

As at 31 December 2014, the Group’s and the Company’s current liabilities exceeded its current assets by US$658.7 million and US$429.2 million respectively (2013: US$321.3 million and US$31.8 million respectively). The financial statements have been prepared on a going concern basis as the management is reasonably confident that the Group will have sufficient resources including committed rental cash flows and unutilised committed banking facilities for it to pay its debts as and when they fall due.

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

2.2 *Standards issued but not yet effective*

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(b) Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets*	1 July 2014
(c) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014

The Directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

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

2.3 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at 31 December 2014. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All significant intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.4 *Functional and foreign currency*

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entities operates (“functional currency”). The financial statements are presented in United States Dollar (USD or US$) and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

(b) *Foreign currency transactions*

Transactions in foreign currencies are measured at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Exchange differences arising from the translation of monetary assets and liabilities are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the income statement.

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

2.5 *Plant and equipment*

(a) Aircraft

Purchased aircraft on operating lease to airline operators are included under plant and equipment and initially recorded at cost. Such costs include borrowing costs that are directly attributable to the acquisition of plant and equipment prior to delivery. Subsequent to recognition, purchased aircraft are stated at cost less accumulated depreciation and accumulated impairment loss. Modifications and all other costs associated with placing the aircraft in service are capitalised. The cost of aircraft is stated net of manufacturers' credits. Expenditure for additions and improvements is capitalised. Expenditure for maintenance and repairs, unless drawn from maintenance reserves, is charged to the income statement.

The Group accounts for aircraft leased as finance leases if the lease agreements give the Group rights approximating to ownership when the Group is the lessee. The assets are capitalised under plant and equipment as if they had been purchased outright at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding lease commitment is included under liabilities. Lease payments consist of principal and interest elements and the interest is charged to the income statement. Depreciation on the relevant asset is charged to the income statement.

The carrying values of aircraft are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

(b) *Progress payments*

Progress payments for aircraft under construction are recognised under plant and equipment when payments are made.

(c) *Other plant and equipment*

Other plant and equipment comprises office renovations, furniture and fittings and office equipment including computer hardware and software and are initially recognised at cost. Subsequent to recognition, these assets are stated at cost less accumulated depreciation and accumulated impairment loss. Cost comprises purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions and improvements is capitalised. Expenditure for maintenance and repairs is charged to the income statement.

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

2.5 *Plant and equipment (cont'd)*

(d) *Depreciation*

Aircraft are depreciated on a straight-line basis over 25 years less aircraft's age with 15% residual value at the end of 25th year for the first 12 years. The remaining value at the end of 12th year is depreciated using straight-line basis with no residual value over the remaining 13 years.

Depreciation on other plant and equipment are calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives. The estimated useful lives of these plant and equipment are as follows:

Office renovations	- 1 to 5 years
Furniture and fittings and office equipment	- 1 to 3 years

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The residual values, useful life and depreciation method are reviewed and adjusted, as appropriate, at each year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment. The effects of any revision are recognised in the income statement when the changes arise.

(e) *Disposal*

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the period the asset is derecognised.

2.6 *Lease transaction closing costs*

Upfront legal fees and all other initial direct costs incurred in procuring the lease for the aircraft are capitalised and amortised on a straight-line basis over the related lease period in the income statement.

Where the lease agreement is terminated or transferred prior to its expiry date, the remaining lease transaction closing costs will be written off to the income statement.

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

2.7 ***Subsidiary Companies***

A subsidiary company is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less impairment losses.

2.8 ***Impairment of non-financial assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value-in-use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

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

2.9 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Subsequent measurement

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

Financial assets classified as held for trading are included in the category “financial assets at fair value through profit or loss”. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Gains or losses on financial assets classified as fair value through profit or loss are recognised in the income statement.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

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

2.9 *Financial instruments (cont'd)*

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value, plus, in the case of other financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in the income statement.

(ii) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

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

2.9 *Financial instruments (cont'd)*

(c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.10 *Impairment of financial assets*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

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

2.11 *Trade and other receivables*

Trade and other receivables, including amounts due from subsidiary companies are classified and accounted for as loans and receivables under FRS 39. The accounting policies for this category of financial assets are stated in Note 2.9. Most of the trade receivables are received monthly in advance. An allowance for doubtful debts is made when there is objective evidence that collection of full amount is no longer probable. Bad debts are written off to the income statement as incurred.

2.12 *Cash and cash equivalents*

Cash and cash equivalents consist of unencumbered fixed deposits and cash and bank balances that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.13 *Derivative financial instruments and hedging activities*

The Group uses derivative financial instruments such as cross-currency interest rate swap, interest rate swap, interest rate cap and foreign exchange forward contracts to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at fair values. Derivative financial instruments are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Any gains or losses arising from changes in fair values on derivative financial instruments that do not qualify for hedge accounting are taken to the income statement for the period.

The fair values of cross-currency interest rate swap, interest rate swap, interest rate cap and foreign exchange forward contracts are determined by marked-to-market values provided by counterparties.

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

(a) Fair value hedges when hedging the exposure to changes in the fair values of a recognised asset or liability that is attributable to a particular risk and could affect the income statement; and

(b) Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the income statement.

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

2.13 *Derivative financial instruments and hedging activities (cont'd)*

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

(a) *Fair value hedges*

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to the income statement.

(b) *Cash flow hedges*

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the hedging reserve, while the ineffective portion is recognised in the income statement.

Amounts taken to hedging reserve are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to hedging reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

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

2.14 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.15 *Maintenance reserves*

Normal maintenance and repairs, airframe and engine overhauls, and compliance with return conditions of the aircraft placed on operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessees to make maintenance reserve contributions to the Group which subsequently can be drawn on to pay for certain maintenance events carried out. These maintenance reserve balances are accounted for as liabilities. Upon termination of the lease, any unutilised maintenance reserve balance will be released to the income statement or continued to be retained as reserves for drawdown by the follow-on operator. Upon sale of the aircraft, any unutilised maintenance reserve balance not transferred to buyer will be released to the income statement. Any shortfall identified in the balances held in respect of historic operation of the aircraft that are required to maintain the aircraft to the required standards by a follow-on operator are provided as a charge to the income statement.

2.16 *Borrowing costs*

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress, and the expenditure of the asset and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. The Group borrows to finance certain progress payments for aircraft under construction. The interest incurred on such borrowings is capitalised and included in the cost of the aircraft, except for the interest incurred for aircraft pre-delivery payments arising from lease commitment on which the Group earns income. Capitalisation of interest ceases when the aircraft is delivered. All other borrowing costs are expensed in the period they occur.

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

2.17 *Debt issue costs*

Debt issue costs are costs incurred in connection with obtaining financing. These costs comprise primarily front-end fees, agency fees and legal fees.

On initial recognition of a financial liability, debt issue costs that are directly attributable to the acquisition of the financial liability are included in the initial measurement of that liability. These costs are amortised over the related life of the debt using the effective interest rate method and written off upon prepayment of the financial liability, except for those debt issue costs relating to credit facilities which remain available for re-drawing after prepayment.

2.18 *Trade and other payables*

Liabilities for trade and other payables including payables to related parties, which are normally settled within 30-day credit terms, are initially carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company and subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

2.19 *Employee benefits*

(a) *Short term employee benefits*

All short term employee benefits, including accumulated compensated absences, are recognised in the income statement in the period in which the employees render their services to the Group.

(b) *Short term incentive plan*

The short term incentive plan (“STIP”) bonus is payable to employees of the Group when certain key performance indicator targets for each year are met and payment is to be made over a period. The bonus is accrued and recognised in the income statement in the period in which the employees render their services to the Group. Any over or under provision will be recognised in the income statement.

(c) *Long term incentive plan*

The long term incentive plan (“LTIP”) is payable to selected employees of the Group based on the achievement of certain key performance targets at the end of a pre-determined period.

Under the LTIP, the bonus pool is accrued and recognised in the income statement in the period in which the employees render their services to the Group. Any over or under provision will be recognised in the income statement. Payment of accrued bonus will be made over a period after each pre-determined period.

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

2.19 *Employee benefits (cont'd)*

(d) *Defined contribution plans*

As required by law, the Group makes contributions to the respective state pension schemes, the Central Provident Fund ("CPF") in Singapore, National Insurance in United Kingdom, Pay Related Social Insurance in Ireland and Federal Insurance Contributions in United States of America. These contributions are recognised as compensation expenses in the same period as the employment that give rise to the contribution.

2.20 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(a) *Where the Group or the Company is the lessee*

Finance leases, which effectively transfer to the Group or the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease term at fair value of the leased asset or, if lower, at the present value of the minimum lease payments and disclosed under Note 36. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership of the leased asset by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership during the lease term are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(b) *Where the Group or the Company is the lessor*

Finance leases, which effectively transfer to lessee substantially all the risks and benefits incidental to ownership of the leased term, are recognised at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments and disclosed under Note 36. Lease receipts are apportioned between the finance income and reduction of the leased asset so as to achieve a constant rate on the remaining balance of asset.

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21. Contingent rents are recognised as revenue in the period in which they are earned.

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

2.21 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duties.

(a) *Lease income*

The Company and certain of its subsidiary companies, as lessors, lease aircraft under operating leases. Lease income is recognised over the lease term as and when rentals become receivable under the provisions of the lease agreements.

Operating leases with step rentals are recognised on a straight-line basis over the term of the initial lease, assuming no renewals.

Lease income is not recognised if the collections are not probable due to prolonged financial difficulties of lessees.

(b) *Arrangement, remarketing and lease management fees*

Arrangement, remarketing and lease management fees are recognised as revenue upon rendering of services.

(c) *Dividend income*

Dividend income from investments is recognised when the Group's right to receive payment is established.

(d) *Interest income*

Interest income is recognised on an accrual basis unless collectability is in doubt.

(e) *Lease termination fees*

Lease termination fees are recognised based on contractual agreement with third parties to the extent that it is probable that the economic benefits will flow to the Group.

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

2.22 *Income Taxes*

(a) *Current income tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date, in the countries where the Group operates and generates taxable income.

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

(b) *Deferred income tax*

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

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

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

(ii) in respect of taxable temporary differences associated with investments in subsidiary companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

2.22 *Income Taxes (cont'd)*

(b) *Deferred income tax (cont'd)*

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

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

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

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

2.23 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

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

2.24 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary company and fellow subsidiary company is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Critical accounting estimates, assumptions and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgments made in applying accounting policies*

Estimates, assumptions and judgments concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Group’s accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances at the time of valuation.

The following are the judgments made by management in the process of applying the Group’s accounting policies that will have significant effect on the amounts recognised in the financial statements.

(a) *Maintenance of aircraft by lessees*

Maintenance, repairs and overhaul of the aircraft placed on operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessees to make contributions to the Group which can subsequently be drawn on for certain maintenance events carried out. Management has made a judgment based on payment records that as at period end, the lessees are able to fulfil their obligations as stipulated in the lease agreements. For any shortfall identified, a provision for aircraft maintenance will be charged to the income statement.

(b) *Impairment of financial assets*

The Group follows the guidance of FRS 39 in determining when a financial asset is other-than-temporarily impaired and this requires significant judgment. The Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost.

(c) *Fair value of financial instruments*

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models by counterparties. The valuation of financial instruments is described in more detail in Note 38.

3. Critical accounting estimates, assumptions and judgments (cont'd)

3.1 *Judgments made in applying accounting policies (cont'd)*

(d) *Classification of leases*

(i) Operating lease – As lessor

The Group's aircraft portfolio is on lease with various airlines. The Group has determined that it retains all significant risks and rewards of ownership of these aircraft which are leased out on operating leases.

(ii) Finance lease– As lessor

The Group has entered into aircraft leases whereby the Group has determined that the lessee has assumed all risks and rewards of ownership. Accordingly, the Group has recorded the transaction as a sale of aircraft and finance lease receivables on the balance sheet.

(iii) Finance lease – As lessee

The Group has entered into aircraft leases whereby the Group has determined that it has assumed all the risks and rewards of ownership. Accordingly, the Group has recorded these aircraft on the balance sheet.

(e) *Deferred income taxes*

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company is subject to Singapore tax on all of its foreign pre-tax earnings when earnings are effectively repatriated unless tax exemption is applicable. Significant management judgment is required to determine that the undistributed profits of the subsidiary companies and certain unremitted overseas income will not be distributed and remitted into Singapore in the foreseeable future respectively. The Company provides for taxes on the undistributed earnings of foreign subsidiary companies and overseas income except to the extent that such earnings are invested outside Singapore and likely to remain invested outside Singapore in the foreseeable future. The aggregate amount of temporary differences arising from potential Singapore tax exposure on undistributed earnings of foreign subsidiary companies and the overseas unremitted income was US$602.7 million (2013: US$542.1 million) as at 31 December 2014 for which deferred tax liabilities have not been recognised.

Deferred tax assets are recognised for all unabsorbed capital allowances and unutilised tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. Critical accounting estimates, assumptions and judgments (cont'd)

3.1 *Judgments made in applying accounting policies (cont'd)*

(e) *Deferred income taxes (cont'd)*

The Company was granted a renewal of the concessionary tax rate of 5% with effect from 1 July 2012 under the 5-year Aircraft Leasing Scheme incentive by the Economic Development Board of Singapore. To qualify for 5 years of concessionary tax rate of 5%, the Company is required to achieve certain conditions within the 5-year period. Management is reasonably confident that the conditions can be met and is unaware of any reason that the extension of the enhanced concessionary rate after the expiry will not be considered.

Details have been disclosed in Note 11 and Note 29.

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) *Impairment of aircraft*

The Group follows the guidance of FRS 36 Impairment of Assets in determining whether it is necessary to recognise any impairment loss on an aircraft. This determination requires estimation of the fair value less cost to sell and the value-in-use of an aircraft. To estimate the fair value, the management uses independent aircraft appraisers' valuations which were derived based on certain assumptions. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the lease and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Analysis of impairment loss provision is disclosed in Note 12 in the financial statements.

(b) *Depreciation of aircraft and estimation of residual values*

Aircraft are depreciated on a straight-line basis over 25 years less aircraft's age with 15% residual value at the end of 25th year for the first 12 years. The remaining value at the end of 12th year is depreciated using straight-line basis with no residual value over the remaining 13 years. The management estimates the useful life to be 25 years based on the common life expectancies applied in the aircraft leasing industry.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, in these circumstances, future depreciation charges could be revised. A 4% difference in the expected useful lives of these assets from management's estimates would result in approximately US$16.6 million (2013: US$13.6 million) variance in depreciation charges which could affect the Group's annual profit before tax in future.

3. Critical accounting estimates, assumptions and judgments (cont'd)

3.2 *Key sources of estimation uncertainty* (cont'd)

(c) *Fair values*

Fair values of the derivative financial instruments have been determined by marked-to-market values provided by counterparties as disclosed in Note 30.

Fair values of other financial instruments have been disclosed in Note 38.

(d) *Income taxes and deferred income taxes*

The Group has exposure to income taxes in numerous jurisdictions. Estimation is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Details have been disclosed in Note 11 and Note 29.

4. Lease rental income

	Group	
	2014	2013
	US$'000	US$'000
Lease rental income		
- Third parties	**916,038**	790,899
- Related parties	**20,878**	13,213
	936,916	804,112

5. Interest and fee income

		Group	
	Note	**2014**	2013
		US$'000	US$'000
Interest and fee income			
- Finance leases		**–**	1,211
- Fixed deposits and bank balances		**2,983**	3,048
- Aircraft pre-delivery payments		**4,393**	16,029
- Lease management fee		**704**	3,383
- Remarketing fee		**2,533**	3,250
- Asset value guarantee fee	28	**30**	84
- Others		**964**	946
		11,607	27,951

6. Net gain on sale of aircraft

		Group	
	Note	**2014**	2013
		US$'000	US$'000
Sale of aircraft			
- Proceeds from sale of aircraft		**1,315,861**	913,303
- Maintenance reserves released	27	**35,891**	45,745
- Net book value of aircraft		**(1,319,484)**	(880,642)
- Expenses		**(1,977)**	(1,935)
		30,291	76,471

7. Amortisation of deferred debt issue costs

	Note	Group 2014 US$'000	Group 2013 US$'000
Arising from:			
- Loans and borrowings	22	**14,491**	14,605
- Finance lease payables	25	**55**	30
		14,546	14,635

8. Finance expenses

	Group 2014 US$'000	Group 2013 US$'000
Interest expense and other charges on:		
- Finance leases	**995**	781
- Loans and borrowings	**152,159**	136,730
	153,154	137,511
Net fair value gain on derivative financial instruments	**(2,374)**	(1,822)
	150,780	135,689

9. Staff costs

	Group 2014 US$'000	Group 2013 US$'000
Salaries, bonuses and other staff costs	**49,387**	39,483
Employer's defined contribution benefits	**1,843**	1,171
	51,230	40,654

10. Other operating expenses

	Group	
	2014	2013
	US$'000	US$'000
General office expenses	**3,531**	2,695
Operating lease expenses	**2,383**	1,432
Technical service expenses	**(1,665)**	18,927
Professional fees	**4,748**	5,175
Others	**548**	81
	9,545	28,310

Technical services expenses include expenses or reversal of expenses for repair, maintenance and repossession of aircraft.

11. Income tax expense

(a) ***Major components of income tax expense***

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

	Group	
	2014	2013
	US$'000	US$'000
Current tax		
- Singapore	**(46)**	(94)
- Foreign	**156**	618
- Write-back of overprovision in prior years	**(503)**	–
	(393)	524
Deferred tax		
- Singapore	**10,303**	14,072
- Foreign	**37,834**	25,665
- Write-back of over provision in prior years	**(3,552)**	(6,391)
	44,585	33,346
	44,192	33,870

11. Income tax expense (cont'd)

(b) ***Relationship between tax expense and accounting profit***

The reconciliations between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 are as follows:

	Group	
	2014	2013
	US$'000	US$'000
Profit before income tax	**352,766**	310,931
Tax at domestic tax rate of 17% (2013: 17%)	**59,970**	52,858
Adjustments:		
Different tax rates in other countries	**7,661**	3,558
Effects of Aircraft Leasing Scheme incentive on Company's results	**(21,105)**	(20,221)
Income not subject to tax	**(773)**	(1,772)
Expenses not deductible for tax purposes	**2,895**	5,631
Others	**(401)**	207
Write-back of over provision in prior years	**(4,055)**	(6,391)
	44,192	33,870

As at 31 December 2014, the Group had unabsorbed capital allowances of approximately US$744.1 million (2013: US$849.9 million) and unutilised tax losses of approximately US$800.7 million (2013: US$775.5 million) which, subject to the provisions of relevant local tax legislation and subject to agreement with the relevant tax authorities, can be carried forward and set off against future taxable profit.

12. Plant and equipment

Group	Aircraft US$'000	Aircraft progress payments US$'000	Office renovations US$'000	Furniture and office equipment US$'000	Total US$'000
Cost:					
At 1 January 2013	8,642,699	885,086	126	5,058	9,532,969
Additions	2,116,673	383,820	545	1,550	2,502,588
Disposals	(1,062,902)	–	–	(73)	(1,062,975)
Transfers	801,169	(801,169)	–	–	–
Adjustments	280	–	–	–	280
At 31 December 2013 and 1 January 2014	10,497,919	467,737	671	6,535	10,972,862
Additions	1,984,074	1,158,015	327	1,766	3,144,182
Disposals	(1,664,200)	–	–	–	(1,664,200)
Transfers	536,275	(536,275)	–	–	–
Adjustments	644	–	–	–	644
At 31 December 2014	**11,354,712**	**1,089,477**	**998**	**8,301**	**12,453,488**
Accumulated depreciation and impairment:					
At 1 January 2013	1,178,386	–	95	3,255	1,181,736
Charge for the year	335,012	–	34	1,300	336,346
Disposals	(182,260)	–	–	(73)	(182,333)
Impairment	42,800	–	–	–	42,800
At 31 December 2013 and 1 January 2014	1,373,938	–	129	4,482	1,378,549
Charge for the year	378,997	–	264	1,986	381,247
Disposals	(344,716)	–	–	–	(344,716)
Impairment	23,100	–	–	–	23,100
At 31 December 2014	**1,431,319**	**–**	**393**	**6,468**	**1,438,180**
Net book value:					
At 31 December 2014	**9,923,393**	**1,089,477**	**605**	**1,833**	**11,015,308**
At 31 December 2013	9,123,981	467,737	542	2,053	9,594,313

12. Plant and equipment (cont'd)

Company	**Aircraft US$'000**	**Aircraft progress payments US$'000**	**Office renovations US$'000**	**Furniture and office equipment US$'000**	**Total US$'000**
Cost:					
At 1 January 2013	3,926,546	363,284	126	5,034	4,294,990
Additions	1,497,267	68,588	545	1,549	1,567,949
Disposals	(1,172,823)	–	–	(67)	(1,172,890)
Transfers to subsidiary companies	–	(1,071)	–	–	(1,071)
Transfers	430,716	(430,716)	–	–	–
At 31 December 2013 and 1 January 2014	4,681,706	85	671	6,516	4,688,978
Additions	982,800	15,822	297	1,715	1,000,634
Disposals	(716,146)	–	–	–	(716,146)
Transfers to subsidiary companies	–	(1,582)	–	–	(1,582)
Adjustments	696	–	–	–	696
At 31 December 2014	**4,949,056**	**14,325**	**968**	**8,231**	**4,972,580**
Accumulated depreciation and impairment:					
At 1 January 2013	396,604	–	95	3,232	399,931
Charge for the year	148,969	–	34	1,298	150,301
Disposals	(115,624)	–	–	(67)	(115,691)
Impairment	1,400	–	–	–	1,400
At 31 December 2013 and 1 January 2014	431,349	–	129	4,463	435,941
Charge for the year	162,300	–	252	1,975	164,527
Disposals	(101,389)	–	–	–	(101,389)
At 31 December 2014	**492,260**	**–**	**381**	**6,438**	**499,079**
Net book value:					
At 31 December 2014	**4,456,796**	**14,325**	**587**	**1,793**	**4,473,501**
At 31 December 2013	4,250,357	85	542	2,053	4,253,037

12. Plant and equipment (cont'd)

(a) ***Impairment of assets***

Cumulative provision for impairment loss of the Group and the Company of US$57.5 million and nil (2013: US$48.9 million and US$1.1 million) respectively is included in accumulated depreciation and impairment.

The impairment loss represents the write-down of the aircraft book value to its recoverable amount of an individual aircraft as the cash-generating unit. The recoverable amount was determined based on the management's best estimate of aircraft values from appraisers' valuation or value-in-use or estimated selling prices based on signed letter of intent to sell the aircraft. The estimated future cash flows of the aircraft were discounted to their present value using pre-tax discount rate to calculate the value-in-use. The discount rates ranged from 3.1% to 4.0% (2013: 2.4% to 2.7%) per annum.

Analysis of impairment loss provision:

	Group	
	2014	2013
	US$'000	US$'000
Balance at beginning of year	**48,932**	12,632
Impairment of aircraft	**23,100**	42,800
Disposal of aircraft	**(14,500)**	(6,500)
Balance at end of year	**57,532**	48,932

(b) ***Assets held under finance leases***

The net book value of aircraft owned by the Group and Company held under finance lease arrangements amounted to US$104.7 million and US$1,502.3 million (2013: US$70.5 million and US$1,620.2 million) respectively.

(c) ***Assets pledged as security***

The net book value of aircraft owned by the Group and the Company, including aircraft held under finance lease arrangements in Note 12(b), that have been charged for loan facilities granted (Note 22 and Note 25) by way of mortgages and/or by way of a pledge by the Company of all its benefits in respect of its entire shareholding in certain subsidiary companies which hold titles to such aircraft (Note 15) amounted to US$7,516.7 million (2013: US$7,708.7 million) and US$3,654.9 million (2013: US$3,785.2 million) respectively.

(d) ***Capitalisation of borrowing costs***

The capitalisation of aircraft cost during the year include borrowing costs arising from intercompany loans borrowed for the purpose of the aircraft progress payments. The borrowing costs capitalised as cost of aircraft amounted to US$1.4 million (2013: Nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.6% per annum.

13. Lease transaction closing costs

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Cost:				
At beginning of year	**2,619**	1,759	**3,197**	3,609
Additions	**272**	1,062	**144**	590
Written off to income statement upon sale of aircraft	**(205)**	(211)	**(156)**	(1,021)
Adjustments	**(740)**	34	**(399)**	44
Written off upon fully amortised	**(817)**	(25)	**–**	(25)
At end of year	**1,129**	2,619	**2,786**	3,197
Accumulated amortisation:				
At beginning of year	**1,254**	1,116	**1,287**	1,182
Charge for the year	**171**	306	**338**	447
Written off to income statement upon sale of aircraft	**(140)**	(148)	**(115)**	(317)
Adjustments	**–**	5	**(1)**	–
Written off upon fully amortised	**(817)**	(25)	**–**	(25)
At end of year	**468**	1,254	**1,509**	1,287
Net book value:				
At end of year	**661**	1,365	**1,277**	1,910

14. Amounts due from subsidiary companies

The amounts due from subsidiary companies including interest bearing company loans are non-trade related and unsecured. They are not expected to be repaid within the next 12 months. The amounts are repayable only when the cash flows of the borrower permits. Accordingly, the fair value of the amounts due from subsidiary companies cannot be determined as the timing of the future cash flows cannot be estimated reliably.

As at 31 December 2014, a provision for impairment of US$4.8 million (2013: Nil) was made for loans due from certain subsidiary companies.

15. Investments in subsidiary companies

	Company	
	2014	2013
	US$'000	US$'000
Equity investments at cost:		
At beginning of year	**697,176**	601,132
Additions	**2,001**	100,000
Disposals	**(3,547)**	–
Impairment	–	(3,956)
At end of year	**695,630**	697,176
Provision for impairment of investments in subsidiary companies:		
At beginning of year	**3,956**	–
Charge for the year	–	3,956
Written off during the year	**(3,956)**	–
At end of year	–	3,956

15. Investment in subsidiary companies (cont'd)

Details of the subsidiary companies are as follows:

	Name	Country of incorporation	Principal activities	Percentage of equity held by the Company	
				2014	2013
				%	%
[1]	BOC Aviation (Ireland) Limited	Ireland	Leasing of aircraft	**100**	100
[2]	Stamford Leasing Limited	Bermuda	Dissolved	**–**	100
[1]	BOC Aviation (Labuan) Pte. Ltd.	Malaysia	Leasing of aircraft	**100**	100
[2]	BOC Aviation (Bermuda) Limited	Bermuda	Holding of funds	**100**	100
[2]	Quartet Two Limited	Cayman Islands	Dissolved	**–**	100
[2]	Quartet Three Limited	Cayman Islands	Dissolved	**–**	100
[2]	Quartet Four Limited	Cayman Islands	Dissolved	**–**	100
[2,5]	Emerald One Limited	Cayman Islands	Dormant	**100**	100
[2,5]	Emerald Two Limited	Cayman Islands	Dormant	**100**	100
[1]	BOC Aviation (USA) Corporation	United States	Leasing of aircraft	**100**	100
[1,5]	Solitaire Capital Limited	Singapore	Dormant	**100**	100
[2]	Excalibur Express Limited	Cayman Islands	Dissolved	**–**	100
[2,3]	Bluebell Leasing Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	Avocet Leasing Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	Dolphin Leasing Limited	Cayman Islands	Dissolved	**–**	100
[2]	Emerald Three Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2,3]	Emerald Four Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	SALE Cayman (MP1) Limited	Cayman Islands	Dissolved	**–**	100
[2,3,5]	Nimue Leasing Limited	Cayman Islands	Dormant	**100**	100
[2]	Penguin Leasing Limited	Cayman Islands	Dissolved	**–**	100
[2]	SALE Cayman (VLE1) Limited	Cayman Islands	Dissolved	**–**	100
[2]	BOC Aviation (Cayman) Limited	Cayman Islands	Acquisition of aircraft	**100**	100
[2,3]	SALE Cayman (35073) Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	SALE Cayman (VLE2) Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2,3]	SALE Cayman (35075) Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2,3]	SALE Cayman (35076) Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2,3]	SALE Cayman (35077) Limited	Cayman Islands	Leasing of aircraft	**100**	100

15. Investment in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Percentage of equity held by the Company 2014 %	2013 %
[2]	Yasashi Leasing Limited	Cayman Islands	Dissolved	**–**	100
[2,3]	Acme Leasing One Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2,3]	Acme Leasing Two Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2,3]	Acme Leasing Three Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2,3]	Echo Leasing One Limited	Cayman Islands	Dormant	**100**	100
[2,3]	Echo Leasing Two Limited	Cayman Islands	Dormant	**100**	100
[2]	Echo Leasing Three Limited	Cayman Islands	Dormant	**100**	100
[2]	BOCA Leasing (Bermuda) Limited	Bermuda	Leasing of aircraft	**100**	100
[2]	Echo Leasing Four Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	Echo Leasing Five Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	Echo Leasing Six Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	Echo Leasing Seven Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2,6]	Vanda Leasing One Limited	Cayman Islands	Dissolved	**–**	100
[2]	Vanda Leasing Two Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2,8]	Vanda Leasing Three Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	Vanda Leasing Four Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	Vanda Leasing Five Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	Vanda Leasing Six Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	Vanda Leasing Seven Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	Vanda Leasing Eight Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	Vanda Leasing Nine Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	Vanda Leasing Ten Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	Vanda Leasing Eleven Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	Vanda Leasing Twelve Limited	Cayman Islands	Leasing of aircraft	**100**	100
[1]	BOC Aviation (UK) Limited	England and Wales	Leasing of aircraft	**100**	–
[2,7]	BOC Aviation Leasing (Tianjin) Limited	People’s Republic of China	Leasing of aircraft	**100**	–

15. Investment in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Percentage of equity held by the Company	
				2014	2013
				%	%
	Deemed subsidiary companies*				
1,4	ARCU Aircraft Holdings Pte. Ltd.	Singapore	Investment holding	**–**	–
1,4	Pacific Triangle Holdings Pte. Ltd.	Singapore	Investment holding	**–**	–
2,4	ACME Lease Holdings LLC	United States	Leasing of aircraft	**–**	–
2,4	Laylya Leasing LLC	United States	Leasing of aircraft	**–**	–
2,4	Galahad Leasing Limited	Cayman Islands	Leasing of aircraft	**–**	–
2,4	Guinevere Leasing Limited	Cayman Islands	Leasing of aircraft	**–**	–
2,4	Sunshine Aircraft Leasing LLC	United States	Leasing of aircraft	**–**	–
2,4	Gawain Leasing Limited	Cayman Islands	Leasing of aircraft	**–**	–
2,4	Chilli Leasing LLC	United States	Leasing of aircraft	**–**	–
2,4	Green Knight Leasing Limited	Cayman Islands	Leasing of aircraft	**–**	–
	Held by ARCU Aircraft Holdings Pte. Ltd.:				
2,4	ARCU Aircraft Leasing Limited*	Cayman Islands	Leasing of aircraft	**–**	–
	Held by Pacific Triangle Holdings Pte. Ltd.:				
2,4	Pacific Triangle Leasing Limited*	Cayman Islands	Leasing of aircraft	**–**	–
2,4	Pacific Triangle Leasing 2 Limited*	Cayman Islands	Leasing of aircraft	**–**	–

* The companies are deemed subsidiary companies of the Company as it has the power to govern the financial and operating policies of these companies so as to obtain benefits from the activities of these companies. These companies are set up for the purpose of facilitating the financing of acquisition of the Group's aircraft.

15. Investment in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Percentage of equity held by the Company	
				2014	2013
				%	%
	Held by BOC Aviation (Ireland) Limited:				
2	BOC Aviation (France) SARL	France	Leasing of aircraft	**100**	100
2	BOC Aviation (France) 2 SARL	France	Leasing of aircraft	**100**	100
2	BOC Aviation (France) 3 SARL	France	Leasing of aircraft	**100**	100
2	BOC Aviation (France) 4 SARL	France	Dormant	**100**	100
2	BOC Aviation (France) 5 SARL	France	Leasing of aircraft	**100**	100
2	BOC Aviation (France) 6 SARL	France	Leasing of aircraft	**100**	100
2	BOC Aviation (France) 7 SARL	France	Leasing of aircraft	**100**	100
2	BOC Aviation (France) 8 SARL	France	Leasing of aircraft	**100**	100
2	BOC Aviation (France) 9 SARL	France	Leasing of aircraft	**100**	100
2	BOC Aviation (France) 10 SARL	France	Leasing of aircraft	**100**	100
2	BOC Aviation (France) 11 SARL	France	Leasing of aircraft	**100**	–
	Held by BOC Aviation (USA) Corporation:				
2	Apex Leasing Corporation	United States	Dissolved	**–**	100
2	Nexus Leasing Limited	United States	Dissolved	**–**	100
2	BOC Aviation (Aruba) A.V.V.	Aruba	Leasing of aircraft	**100**	100
	Held by Solitaire Capital Limited:				
2	Goldfinch Limited	Bermuda	Dissolved	**–**	100

15. Investment in subsidiary companies (cont'd)

[1] Audited by Ernst & Young LLP, Singapore or member firms of Ernst & Young.

[2] Not required to be audited by law in its country of incorporation, but included in the audit of consolidated financial statements of BOC Aviation Pte. Ltd. by Ernst & Young LLP.

[3] The Company has pledged all its benefits in respect of its entire shareholding in these subsidiary companies for loan facilities granted (Note 22 and Note 25).

[4] The shares or membership interest (as applicable) of these companies are pledged for loan facilities granted to certain companies within the Group.

[5] These companies are undergoing voluntary liquidation or dissolution subsequent to 31 December 2014.

[6] During the year, the Group disposed its entire interest in Vanda Leasing One Limited. As the subsidiary company was set up as a special purpose vehicle to hold aircraft for leasing, the disposal has been accounted for as gain on sale of aircraft. Accordingly, the proceeds have been classified as “proceeds from sale of plant and equipment” in the consolidated statement of cash flows and the gain as “net gain on sale of aircraft” in the consolidated income statement. There was no net gain on the disposal of this subsidiary company.

[7] Subsequent to the 31 December 2014, the Company injected a capital of US$1.8 million to BOC Aviation Leasing (Tianjin) Limited.

[8] Subsequent to the 31 December 2014, the Company disposed its entire interest in Vanda Leasing Three Limited.

16. Trade receivables

	Group		**Company**	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables (gross)	**4,783**	834	**65**	820
Allowance for impairment	**–**	(779)	**–**	(779)
Trade receivables (net)	**4,783**	55	**65**	41

Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition and are generally received monthly in advance. Overdue trade receivables bear interest at the various interest rates stipulated in the agreements.

16. Trade receivables (cont'd)

As at 31 December 2014, the Group's trade receivables (gross) arising from lease rentals amounting to US$4.1 million (2013: US$0.8 million) were fully secured by letters of credit issued and confirmed by banks of acceptable credit standing under the Group's risk management policies.

(a) ***Receivables that are past due but not impaired***

The Group has trade receivables amounting to US$4.1 million (2013: US$0.05 million) that are past due at the end of the reporting period but not impaired. These receivables are within the age bracket of 1 to 30 days (2013: 1 to 30 days). Subsequent to year end, these amounts have been received.

(b) ***Trade receivables that are impaired***

There were no trade receivables that are impaired as at 31 December 2014. The movement in the allowance for impairment account is as follows:

	Group		**Company**	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
At beginning of year	**779**	779	**779**	779
Write-back during the year	**(779)**	–	**(779)**	–
At end of year	**–**	779	**–**	779

17. Other receivables

	Group		**Company**	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Deposits	**780**	794	**757**	775
Sundry receivables	**1,260**	25,535	**99**	195
Accrued income	**9,637**	12,092	**6,617**	2,763
Amounts due from subsidiary companies	**–**	–	**1,535**	1,095
Allowance for impairment	**–**	(20)	**–**	(20)
	11,677	38,401	**9,008**	4,808

The amounts due from subsidiary companies are non-trade related, unsecured, interest free and are repayable on demand.

Sundry receivables are non-interest bearing. They are recognised at costs which represent their fair values on initial recognition.

Certain of the past due balances are secured by security deposits collected and recognised on the balance sheet or through letters of credit from banks. The unsecured amounts not collected, if any, have been fully provided for.

17. Other receivables (cont'd)

Other receivables that are impaired

There are no other receivables that are impaired as at 31 December 2014. The movement in the allowance for impairment accounts is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
At beginning of year	**20**	20	**20**	20
Write-back during the year	**(20)**	–	**(20)**	–
At end of year	**–**	20	**–**	20

18. Fixed deposits

	Note	Group		Company	
		2014	2013	**2014**	2013
		US$'000	US$'000	**US$'000**	US$'000
Unencumbered	31	**212,204**	455,435	**113,948**	387,035

All fixed deposits are denominated in United States Dollar.

Short term deposits are placed for varying periods between one day and one month (2013: one day and two months) depending on cash requirements of the Group, and earned interest at the respective short term deposit rates. The weighted average effective interest rate for short term deposits was 0.7% (2013: 0.7%) per annum.

As at 31 December 2014, fixed deposits placed with intermediate holding company amounted to US$101.5 million (2013: US$163.6 million) for the Group and US$76.5 million (2013: US$115.5 million) for the Company.

19. Cash and bank balances

		Group		Company	
	Note	**2014**	2013	**2014**	2013
		US$'000	US$'000	**US$'000**	US$'000
Encumbered	22	**135,260**	36,933	**97,936**	4,669
Unencumbered	31	**19,940**	45,794	**7,678**	15,572
		155,200	82,727	**105,614**	20,241

An amount of US$135.3 million (2013: US$36.9 million) and US$97.9 million (2013: US$4.7 million) of the Group's and Company's cash and bank balances respectively have been pledged for loan obligations and contingency provisions under such obligations.

The Group's and Company's cash and bank balances included an amount of US$4.5 million (2013: US$28.1 million) and US$3.1 million (2013: US$12.2 million) respectively, placed in daily sweep accounts which are available upon demand.

Cash and bank balances of the Group earned interest at floating rates based on daily bank interest rates at an average of 0.01% (2013: 0.05%) per annum.

Cash and bank balances were denominated in United States Dollar except for the following:

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Australian Dollar	**236**	247	**–**	–
Euro	**733**	688	**441**	499
Japanese Yen	**101**	118	**–**	–
Sterling Pounds	**623**	–	**–**	–
Singapore Dollar	**2,500**	2,134	**2,500**	2,134
	4,193	3,187	**2,941**	2,633

20. Trade payables

Trade payables are substantially denominated in United States Dollar, non-interest bearing and are normally settled on 30-day credit terms.

21. Other payables

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Sundry payables	**2,629**	1,676	**1,342**	1,200
Accrued interest expenses	**29,486**	26,948	**22,465**	17,315
Other accruals and liabilities	**32,519**	101,331	**26,879**	69,445
Amounts due to subsidiary companies	**–**	–	**3,832**	3,152
	64,634	129,955	**54,518**	91,112

Other payables are substantially denominated in United State Dollar.

The amounts due to subsidiary companies are non-trade related, unsecured, interest free and are repayable on demand.

Sundry payables are non-interest bearing and are normally settled on 30-day credit terms.

22. Loans and borrowings

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Current:				
Medium Term Notes	**59,971**	63,967	**59,971**	63,967
Fair value adjustments	**(2,976)**	(415)	**(2,976)**	(415)
	56,995	63,552	**56,995**	63,552
USD bank loans	**844,994**	635,149	**393,789**	149,674
Deferred debt issue costs	**(12,671)**	(13,015)	**(1,920)**	(1,776)
	889,318	685,686	**448,864**	211,450
Non-current:				
Medium Term Notes	**2,265,427**	1,356,838	**2,265,427**	1,356,838
Medium Term Notes discount (net of premium)	**(3,268)**	(856)	**(3,268)**	(856)
Fair value adjustments	**(71,692)**	(5,390)	**(71,692)**	(5,390)
	2,190,467	1,350,592	**2,190,467**	1,350,592
USD bank loans	**5,163,865**	5,306,867	**1,763,033**	1,763,423
Deferred debt issue costs	**(82,031)**	(88,047)	**(12,446)**	(10,740)
	7,272,301	6,569,412	**3,941,054**	3,103,275
Total	**8,161,619**	7,255,098	**4,389,918**	3,314,725

22. Loans and borrowings (cont'd)

The deferred debt issue costs relating to the obtaining of the term loans and notes are analysed as follows:

		Group		Company	
		2014	2013	**2014**	2013
	Note	**US$'000**	US$'000	**US$'000**	US$'000
Cost:					
At beginning of year		**141,808**	125,985	**19,513**	16,478
Additions		**9,645**	22,161	**5,787**	6,208
Written off to income statement upon sale of aircraft		**(3,837)**	(1,694)	**(813)**	(1,361)
Written off upon fully amortised		**(7,002)**	(4,656)	**(1,859)**	(1,157)
Transfers		**–**	–	**–**	(608)
Adjustments		**(387)**	12	**(552)**	(47)
At end of year		**140,227**	141,808	**22,076**	19,513
Accumulated amortisation:					
At beginning of year		**40,746**	31,326	**6,997**	5,638
Charge for the year	7	**14,491**	14,605	**3,105**	3,184
Written off to income statement upon sale of aircraft		**(2,710)**	(529)	**(533)**	(395)
Written off upon fully amortised		**(7,002)**	(4,656)	**(1,859)**	(1,157)
Transfers		**–**	–	**–**	(273)
At end of year		**45,525**	40,746	**7,710**	6,997
Net book value:					
At end of year		**94,702**	101,062	**14,366**	12,516
Deferred debt issue costs, net		**94,702**	101,062	**14,366**	12,516
Less: Current portion		**(12,671)**	(13,015)	**(1,920)**	(1,776)
Non-current portion		**82,031**	88,047	**12,446**	10,740

22. Loans and borrowings (cont'd)

Total loans and borrowings included secured liabilities of US$5,744 million (2013: US$5,882 million) and US$1,912 million (2013: US$1,873.1 million) for the Group and the Company respectively. These amounts are secured by the related aircraft (Note 12), certain cash and bank balances and designated bank accounts (Note 19) and/or a pledge of the shares in certain subsidiary companies (Note 15) that hold title to aircraft.

In addition, the Company and certain subsidiary companies have provided negative pledges relating to all of these companies' assets and revenues (other than any encumbrance in existence at the time the negative pledge is entered into or created subsequently to secure finance to acquire or re-finance any aircraft).

(a) ***Bank loans***

Interest on floating rate bank loans of the Group is set at specified margins above USD LIBOR. Interest rate for floating rate bank loans is reset at intervals of up to six months and the weighted average interest rate was 1.7% (2013: 1.8%) per annum. The bank loans are repayable based on agreed repayment schedules, until the expiry date of the respective loans. The final maturities of the bank loans are between 2015 and 2026.

As at 31 December 2014, the Group's bank loans due to intermediate holding company amounted to US$495.4 million (2013: US$527.8 million). There were no outstanding drawings under two US$1 billion committed revolving credit facilities granted by the intermediate holding company. The first US$1 billion committed revolving credit facility matures on 28 December 2017 and the second US$1 billion committed revolving credit facility matures on 2 April 2019. Included in the Group's bank loans was an amount of US$476.5 million (2013: US$628.7 million) due to related parties.

As at 31 December 2014, the Company's bank loans due to the intermediate holding company amounted to US$367.9 million (2013: US$392.9 million) and due to related parties amounted to US$353.2 million (2013: US$497.9 million).

As at 31 December 2014, the Group had unutilised unsecured committed revolving credit facilities of US$2,250 million (2013: US$2,335 million) and committed long term credit facilities pending aircraft substitution of US$181.2 million (2013: US$123.9 million).

22. Loans and borrowings (cont'd)

(b) ***Medium Term Notes***

The Company set up a US$300 million Multi-Currency Medium Term Note Programme (the "Programme") on 2 September 2009. The Programme was increased to US$600 million on 12 December 2011. The Group and the Company had fully repaid its last series outstanding notes of US$64 million in April 2014.

The Company has also set up a US$2 billion Euro Medium Term Note Programme ("EMTN Programme") on 20 September 2012. The Programme was increased to US$5 billion on 16 Apr 2014. As at 31 December 2014, outstanding notes denominated in various currencies issued under the EMTN Programme for the Group and Company are:

Currency	Fixed Coupon Rate (p.a.)	Maturity (Year)	Outstanding amounts 2014 US$'000	Amounts swapped to USD and floating rates US$'000
Australian dollar	5.375%	2020 to 2021	**373,492**	**373,492**
Chinese Yuan	4.2% to 5.5%	2018 to 2024	**541,935**	**541,935**
Singapore dollar	2%	2015	**59,971**	**59,971**
United States dollar	2.875% to 4.375%	2017 to 2023	**1,350,000**	**300,000**
			2,325,398	**1,275,398**

Currency	Fixed Coupon Rate (p.a.)	Maturity (Year)	Outstanding amounts 2013 US$'000	Amounts swapped to USD and floating rates US$'000
Chinese Yuan	4.5%	2018	246,867	246,867
Singapore dollar	2%	2015	59,971	59,971
United States dollar	2.875% to 4.375%	2017 to 2023	1,050,000	–
			1,356,838	306,838

Fixed rate notes amounted to US$1,275.4 million (2013: US$306.8 million) have been swapped to floating rate liabilities and United States dollar (for non-USD denominated notes) via interest rate swap and cross-currency interest rate swap contracts. All notes are carried at fair value through profit and loss, classified under Level 2 of the fair value hierarchy, except for the fixed rate notes amounting to US$1,050 million (2013: US$1,050 million). The floating interest rate ranged from 1.7% to 2.7% (2013: 1.9% to 2.7%) per annum.

23. Other non-current liabilities

Included in other non-current liabilities are mainly non-current portion of bonuses payable and provided for under the staff incentive plans. These bonuses are payable over the years from 2016 to 2018 (2013: 2015 to 2017).

24. Finance lease payables to subsidiary companies

	Note	Company 2014 US$'000	2013 US$'000
Current:			
Finance lease payables		**125,415**	104,859
Deferred debt issue costs		**(4,883)**	(4,886)
Finance lease payables, net		**120,532**	99,973
Non-current:			
Finance lease payables		**919,334**	1,044,749
Deferred debt issue costs		**(38,406)**	(43,314)
Finance lease payables, net		**880,928**	1,001,435
Total finance lease payables, net		**1,001,460**	1,101,408

	Note	Company 2014 US$'000	2013 US$'000
The scheduled repayment of the finance lease payables is as follows:			
Finance lease payables	36(c)(i)	**1,044,749**	1,149,608
Less: Current portion		**(125,415)**	(104,859)
Non-current portion		**919,334**	1,044,749

24. Finance lease payables to subsidiary companies (cont'd)

The finance lease payables to subsidiary companies of US$1,044.7 million (2013: US$1,149.6 million) are secured by a charge over leased assets (Note 12). Interest on the leases ranged from 0.4% to 1.5% per annum (2013: 0.4% to 1.7% per annum).

The deferred debt issue costs relating to finance lease payables to subsidiary companies are analysed as follows:

	Company	
	2014	2013
	US$'000	US$'000
Cost:		
At beginning of year	**57,890**	49,654
Additions	**–**	12,948
Written off upon fully amortised	**–**	(2,126)
Transfers	**–**	(2,577)
Adjustments	**(29)**	(9)
At end of year	**57,861**	57,890
Accumulated amortisation:		
At beginning of year	**9,690**	7,978
Charge for the year	**4,882**	4,558
Written off upon fully amortised	**–**	(2,126)
Transfers	**–**	(720)
At end of year	**14,572**	9,690
Net book value:		
At end of year	**43,289**	48,200
Deferred debt issue costs, net	**43,289**	48,200
Less: Current portion	**(4,883)**	(4,886)
Non-current portion	**38,406**	43,314

25. Finance lease payables

	Note	Group and Company 2014 US$'000	2013 US$'000
Current:			
Finance lease payables		**8,845**	6,615
Deferred debt issue costs		**(69)**	(30)
Finance lease payables, net		**8,776**	6,585
Non-current:			
Finance lease payables		**77,119**	52,910
Deferred debt issue costs		**(317)**	(98)
Finance lease payables, net		**76,802**	52,812
Total finance lease payables, net		**85,578**	59,397
Finance lease payables	36(c)(i)	**85,964**	59,525
Less: Current portion		**(8,845)**	(6,615)
Non-current portion		**77,119**	52,910

The finance lease payables are secured by a charge over the leased assets (Note 12). Interest on the leases ranged from 0.7% to 2.4% (2013: 0.8% to 2.7%) per annum.

25. Finance lease payables (cont'd)

The deferred debt issue costs relating to finance lease payables are analysed as follows:

	Note	Group and Company 2014	2013
		US$'000	US$'000
Cost:			
At beginning of year		**191**	191
Additions		**313**	–
At end of year		**504**	191
Accumulated amortisation:			
At beginning of year		**63**	33
Charge for the year	7	**55**	30
At end of year		**118**	63
Net book value:			
At end of year		**386**	128
Deferred debt issue costs, net		**386**	128
Less: Current portion		**(69)**	(30)
Non-current portion		**317**	98

26. Security deposits and deferred lease income

The difference between the nominal value of the security deposits and its fair value is recorded as deferred lease income and is charged to the income statement on a straight-line basis over the lease term. The security deposits are subsequently measured at amortised cost using the effective interest method.

In addition to the cash security deposits recorded on the balance sheet, the security deposits received by the Group and the Company in the form of irrevocable letters of credit amounted to US$98.7 million (2013: US$110.5 million) and US$33.5 million (2013: US$28.8 million) respectively.

27. Maintenance reserves

	Note	Group		Company	
		2014	2013	**2014**	2013
		US$'000	US$'000	**US$'000**	US$'000
At beginning of year		**335,456**	301,604	**122,515**	110,550
Contributions		**184,477**	173,764	**65,079**	92,111
Utilisation		**(13,344)**	(57,215)	**(7,616)**	(20,929)
Transfer to buyers		**(86,124)**	(36,952)	**(41,514)**	(18,981)
Release to income statement for excess written off		**(634)**	–	**(634)**	–
Release to income statement upon sale of aircraft	6	**(35,891)**	(45,745)	**(22,112)**	(40,236)
At end of year		**383,940**	335,456	**115,718**	122,515

Irrevocable letters of credit received by the Group and the Company from lessees to cover their maintenance reserve (or equivalent) obligations amounted to US$90.2 million (2013: US$58.7 million) and US$24.0 million (2013: US$24.0 million) respectively.

28. Deferred asset value guarantee fees

	Note	Group and Company	
		2014	2013
		US$'000	US$'000
Cost:			
At beginning and end of year		**3,464**	3,464
Accumulated amortisation:			
At beginning of year		**(3,434)**	(3,350)
Release to income statement	5	**(30)**	(84)
At end of year		**(3,464)**	(3,434)
Net book value:			
At end of year		**–**	30
Deferred debt issue costs, net		**–**	30
Less: Current portion		**–**	(30)
Non-current portion		**–**	–

29. Deferred income tax liabilities

Deferred income tax liabilities at the balance sheet dates are as follows:

	Group		**Company**	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Gross deferred tax liabilities	**454,507**	425,648	**77,857**	77,174
Gross deferred tax assets	**(234,554)**	(250,280)	**(45,722)**	(51,790)
Net deferred tax liabilities	**219,953**	175,368	**32,135**	25,384

The unrecognised deferred tax liabilities are disclosed in Note 3.1(e).

The movements in the Group's and Company's deferred tax liabilities and assets are as follows:

	Differences in depreciation	**Unremitted overseas income**	**Others**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Group				
2014				
Deferred tax liabilities arising from:				
At beginning of year	420,809	4,570	269	425,648
Charged/(Credited) to income statement	31,109	(2,045)	(205)	28,859
At end of year	**451,918**	**2,525**	**64**	**454,507**

	Unabsorbed capital allowances and unutilised tax losses	**Provisions**	**Others**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Deferred tax assets arising from:				
At beginning of year	(242,303)	(3,792)	(4,185)	(250,280)
Charged to income statement	14,108	1,355	263	15,726
At end of year	**(228,195)**	**(2,437)**	**(3,922)**	**(234,554)**
Net deferred tax liabilities				**219,953**

29. Deferred income tax liabilities (cont'd)

	Differences in depreciation US$'000	Unremitted overseas income US$'000	Others US$'000	Total US$'000
Group				
2013				
Deferred tax liabilities arising from:				
At beginning of year	375,735	392	624	376,751
Charged/(Credited) to income statement	45,074	4,178	(355)	48,897
At end of year	420,809	4,570	269	425,648

	Unabsorbed capital allowances and unutilised tax losses US$'000	Provisions US$'000	Others US$'000	Total US$'000
Deferred tax assets arising from:				
At beginning of year	(227,198)	(4,206)	(3,325)	(234,729)
Charged/(Credited) to income statement	(15,105)	414	(860)	(15,551)
At end of year	(242,303)	(3,792)	(4,185)	(250,280)
Net deferred tax liabilities				175,368

29. Deferred income tax liabilities (cont'd)

	Differences in depreciation US$'000	Unremitted overseas income US$'000	Others US$'000	Total US$'000
Company				
2014				
Deferred tax liabilities arising from:				
At beginning of year	72,335	4,570	269	77,174
Charged/(Credited) to income statement	2,933	(2,045)	(205)	683
At end of year	**75,268**	**2,525**	**64**	**77,857**

	Unabsorbed capital allowances and unutilised tax losses US$'000	Provisions US$'000	Others US$'000	Total US$'000
Deferred tax assets arising from:				
At beginning of year	(48,606)	(3,158)	(26)	(51,790)
Charged/(Credited) to income statement	5,026	1,186	(144)	6,068
At end of year	**(43,580)**	**(1,972)**	**(170)**	**(45,722)**
Net deferred tax liabilities				**32,135**

29. Deferred income tax liabilities (cont'd)

	Differences in depreciation US$'000	Unremitted overseas income US$'000	Others US$'000	Total US$'000
Company				
2013				
Deferred tax liabilities arising from:				
At beginning of year	65,962	392	624	66,978
Charged/(Credited) to income statement	6,373	4,178	(355)	10,196
At end of year	72,335	4,570	269	77,174

	Unabsorbed capital allowances and unutilised tax losses US$'000	Provisions US$'000	Others US$'000	Total US$'000
Deferred tax assets arising from:				
At beginning of year	(47,836)	(2,821)	–	(50,657)
Charged/(Credited) to income statement	(770)	(337)	(26)	(1,133)
At end of year	(48,606)	(3,158)	(26)	(51,790)
Net deferred tax liabilities				25,384

The unabsorbed capital allowances and unutilised tax losses which are subject to the provisions of relevant local tax legislation and subject to agreement with the relevant tax authorities can be carried forward and set off against future taxable profits as disclosed in Note 11.

30. Derivative financial instruments

	Group and Company					
	2014			2013		
	Outstanding notional amounts US$'000	**Assets US$'000**	**Liabilities US$'000**	Outstanding notional amounts US$'000	Assets US$'000	Liabilities US$'000
Current:						
Cross-currency interest rate swaps	**59,971**	**–**	**(2,976)**	63,967	–	(415)
Interest rate swaps	**93,276**	**–**	**(2,054)**	145,276	–	(5,142)
Interest rate caps	**470,205**	**213**	**–**	697,761	722	–
		213	**(5,030)**		722	(5,557)
Non-current:						
Cross-currency interest rate swaps	**915,427**	**–**	**(73,168)**	306,838	–	(5,390)
Interest rate swaps	**300,000**	**1,476**	**–**	**–**	–	–
		1,689	**(78,198)**		722	(10,947)

The fair values of cross-currency interest rate swaps, interest rate swaps and interest rate caps shown above are determined by marked-to-market values provided by counterparties. The marked-to-market values obtained are determined by reference to market values for similar instruments.

30. Derivative financial instruments (cont'd)

Hedge accounting has been applied for interest rate swaps that are assessed by the Group to be effective hedges.

(a) ***Fair value hedges***

The Company uses interest rate swaps to hedge against changes in fair value of medium term notes, issued at a fixed coupon rate, from changes in interest rates.

The Company issued US$300 million notes under its EMTN programme at a fixed coupon rate. As at 31 December 2014, the Company has interest rate swap contracts with a total notional amount of US$300 million to hedge the interest rate exposure whereby the Company receives fixed rate and pays floating rate pegged to USD LIBOR on the notional amount on a half yearly basis. The terms of the interest rate swap contracts have been negotiated to match the terms of the notes and accordingly, the fair value hedges are assessed to be highly effective. The fair value of the derivative financial asset was US$1.5 million as at 31 December 2014.

There were no fair value hedges which applied hedge accounting as at 31 December 2013.

(b) ***Cash flow hedges***

The Company borrows at floating interest rates pegged to USD LIBOR. Interest rate risk exposure arises when the Company collects fixed rate rentals to pay interest accruing under the related borrowings at floating rates.

There were no cash flow hedges which applied hedge accounting as at 31 December 2014.

As at 31 December 2013, the Company had an interest rate swap contract with a notional amount of US$24.2 million to hedge the interest rate exposure whereby the Company pays fixed rate and receives floating rate pegged to USD LIBOR on the notional amount on a half yearly basis. The terms of the interest rate swap contracts had been negotiated to match the terms of the loans and accordingly, the cash flow hedges were assessed to be highly effective. The ineffective portion, if any, has been recognised in the income statement. The fair value of the derivative financial liability was US$0.2 million.

31. Cash and cash equivalents

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Note	Group **2014** **US$'000**	Group 2013 US$'000
Fixed deposits	18	**212,204**	455,435
Cash and bank balances	19	**19,940**	45,794
		232,144	501,229

32. Share capital

	Group and Company **2014** **No. of shares '000**	**2014** **US$'000**	2013 No. of shares '000	2013 US$'000
Issued and fully paid ordinary shares				
At 1 January/31 December	**589,909**	**607,601**	589,909	607,601

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

33. Hedging reserve

Hedging reserve records the portion of the fair value changes on derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be an effective hedge.

	Group **2014** **US$'000**	Group 2013 US$'000	Company **2014** **US$'000**	Company 2013 US$'000
At beginning of year	**(205)**	(1,712)	**–**	(717)
Net change in the reserve	**205**	1,507	**–**	717
At end of year	**–**	(205)	**–**	–

34. Dividends

During the year, the Company declared and paid a dividend of US$139 million to its sole shareholder (2013: US$113 million).

35. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and related parties at terms agreed between the parties:

	Group	
	2014	2013
	US$'000	US$'000
Income and expense		
(a) Intermediate holding company:		
Interest income	**1,541**	2,269
Interest expense	**(9,122)**	(9,339)
(b) Other related parties:		
Interest expense	**(10,753)**	(11,483)

	Group	
	2014	2013
	US$'000	US$'000
Directors' and key executives' remuneration paid by the Company during the year		
(a) Directors of the Company:		
Salary, fees, bonuses and other costs	**7,332**	6,806
(b) Key executives (excluding executive Directors)		
Salary, bonuses and other costs	**6,235**	9,611
CPF and other defined contributions	**153**	7
	6,388	9,618

As at 31 December 2014, an amount of US$18.2 million (2013: US$19.9 million) of deferred bonus is payable to Directors and key executives of the Company in year 2015 to 2018 (2013: year 2014 to 2017)

36. Commitments

(a) *Operating lease commitments*

(i) Operating lease commitments - As lessor

Aircraft

The Group leases its aircraft under operating lease agreements that are non-cancellable, which expire between 2015 and 2029 (2013: 2014 and 2028).

Future net minimum lease receivables under the non-cancellable operating leases at the balance sheet date for existing aircraft are as follows:

	Group		**Company**	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**959,757**	870,403	**423,893**	384,468
After one year but not more than five years	**3,416,607**	3,146,525	**1,545,044**	1,452,967
After five years	**2,761,994**	2,532,504	**1,356,142**	1,289,520
	7,138,358	6,549,432	**3,325,079**	3,126,955

Future net minimum lease receivables committed as at balance sheet date for aircraft yet to be delivered are as follows:

	Group		**Company**	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**55,646**	78,696	**35,569**	28,529
After one year but not more than five years	**1,002,921**	755,576	**511,219**	238,762
After five years	**1,835,795**	1,193,995	**905,268**	360,491
	2,894,362	2,028,267	**1,452,056**	627,782

36. Commitments (cont'd)

(a) ***Operating lease commitments (cont'd)***

(ii) Operating lease commitments - As lessee

Offices

The Group leases offices spaces under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

Future minimum lease payments for the office leases with initial or remaining terms of one year or more are as follows:

	Group		**Company**	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**2,029**	2,091	**1,878**	1,959
After one year but not more than five years	**1,502**	3,648	**1,502**	3,520
	3,531	5,739	**3,380**	5,479

(b) ***Capital expenditure commitments***

As at 31 December 2014, the Group has committed to purchase various aircraft delivering between 2015 and 2021. The amount of commitment including assumed escalation to delivery, net of progress payments made to date, is approximately US$9,610.4 million (2013: US$4,919.2 million).

36. Commitments (cont'd)

(c) ***Finance lease commitments***

(i) Finance lease commitments - As lessee

The Company and certain of its subsidiary companies lease aircraft from third parties under finance leases. Title to aircraft will be transferred to the Company or its subsidiary companies upon the Company or its subsidiary companies discharging fully their respective obligations under the lease agreements. There are no restrictions placed upon the Company by entering into these leases.

	Note	Minimum lease payments 2014 US$'000	Present value of payments 2014 US$'000	Minimum lease payments 2013 US$'000	Present value of payments 2013 US$'000
Finance lease with third parties:					
Not later than one year		**11,041**	**8,845**	7,830	6,615
Later than one year but not later than five years		**60,195**	**54,633**	55,858	52,910
Later than five years		**24,033**	**22,486**	–	–
Total minimum lease payments		**95,269**	**85,964**	63,688	59,525
Less: Amounts representing finance charges		**(9,305)**	**–**	(4,163)	–
Present value of minimum lease payments	25	**85,964**	**85,964**	59,525	59,525

	Note	Minimum lease payments 2014 US$'000	Present value of payments 2014 US$'000	Minimum lease payments 2013 US$'000	Present value of payments 2013 US$'000
Finance lease with its subsidiary companies:					
Not later than one year		**154,939**	**125,415**	168,602	104,859
Later than one year but not later than five years		**542,485**	**458,720**	569,610	469,515
Later than five years		**492,801**	**460,614**	621,700	575,234
Total minimum lease payments		**1,190,225**	**1,044,749**	1,359,912	1,149,608
Less: Amounts representing finance charges		**(145,476)**	**–**	(210,304)	–
Present value of minimum lease	24	**1,044,749**	**1,044,749**	1,149,608	1,149,608

36. Commitments (cont'd)

(c) ***Finance lease commitments*** (cont'd)

(ii) Finance lease commitments - As lessor

	Minimum lease payments 2014 US$'000	**Present value of payments 2014 US$'000**	Minimum lease payments 2013 US$'000	Present value of payments 2013 US$'000
Finance lease with its subsidiary company:				
Not later than one year	**8,314**	**6,052**	8,417	5,717
Later than one year but not later than five years	**76,560**	**71,002**	42,875	35,544
Later than five years	**–**	**–**	42,494	41,510
Total minimum lease payments	**84,874**	**77,054**	93,786	82,771
Less: Amounts representing finance charges	**(7,820)**	**–**	(11,015)	–
Present value of minimum lease payments	**77,054**	**77,054**	82,771	82,771

The scheduled receivables of the finance lease are as follows:

	2014 US$'000	2013 US$'000
Finance lease receivables	**77,054**	82,771
Less: Current portion	**(6,052)**	(5,717)
Non-current portion	**71,002**	77,054

37. Contingent liabilities

Corporate guarantees for subsidiary companies

The Company has provided corporate guarantees for certain loans extended to its subsidiary companies by the banks and for obligation under certain lease agreements entered into by the subsidiary companies. As at 31 December 2014, the corporate guarantees amounted to approximately US$3,852 million (2013: US$4,028.9 million).

38. Classification of financial instruments and their fair values

The carrying amounts of each category of financial assets and financial liabilities, as defined in FRS 39, are disclosed either in the balance sheets or in the notes to the financial statements.

Loans and receivables comprise amounts due from subsidiary companies (Note 14), finance lease receivables (Note 36), trade receivables (Note 16), other receivables (Note 17), fixed deposits and cash and bank balances (Note 18 and Note 19).

As at 31 December 2014, the loans and receivables for the Group and Company were US$383.9 million (2013: US$576.6 million) and US$2,157 million (2013: US$1,313.5 million) respectively.

Financial liabilities measured at amortised cost comprise trade payables (Note 20), other payables (Note 21), loans and borrowings (except as disclosed in Note 22), finance lease payables to subsidiary companies (Note 24) and finance lease payables (Note 25).

As at 31 December 2014, the financial liabilities measured at amortised cost for the Group and Company were US$7,302 million (2013: US$6,436.7 million) and US$4,499.7 million (2013: US$3,537.8 million) respectively.

(a) ***Financial instruments carried at fair values***

Financial assets and liabilities at fair value through profit or loss comprise derivative financial instruments (Note 30).

The fair values of the derivative financial instruments are determined by reference to marked-to-market values provided by counterparties. The fair value measurement of all derivative financial instruments under the Group are classified under Level 2 of the fair value hierarchy, for which inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) are included as inputs for the determination of fair value.

(b) ***Financial instruments whose fair values cannot be reliably measured***

Amounts due from subsidiary companies are included in this category. The amounts will be derecognised where the contractual rights to receive cash flows from the subsidiary companies have ceased.

(c) ***Financial instruments whose carrying amounts approximate fair values***

The carrying amounts of the different categories of financial instruments are disclosed on the face of the balance sheet and in Note 16 to Note 27 to the financial statements.

(d) ***Financial instruments carried at other than fair values***

The following financial instruments of the Group and the Company are carried at other than fair values:

	Group and Company			
	Carrying amounts		**Fair values**	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Medium Term Notes	**1,049,153**	1,048,740	**1,050,155**	994,511

39. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk. The Group reviews and agrees policies for managing each of these risks. The following sections provide details regarding the Group's and Company's exposure to financial risks and the objectives, policies and processes for the management of these risks.

There has been no significant change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) ***Interest rate risk***

Interest rate risk is the risk that the fair values or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings, finance lease payables to third parties and related parties, finance lease receivables from third parties and related parties, and lease rental income and expenses.

The Group obtains financing through bank borrowings and capital market bond issues. The Group's objective is to obtain the most favourable interest rates available on acceptable terms and conditions.

A significant portion of the Group's loans and borrowings and finance lease payables are contracted at floating interest rates pegged to USD LIBOR. Interest rate exposure arises when the Group collects fixed rate rentals but pays floating interest rate under the borrowings.

A significant portion of the Group's financial assets and liabilities are based on floating interest rates pegged to USD LIBOR and are contractually repriced at intervals of less than 12 months (2013: less than 12 months) from the balance sheet date.

The Group's policy is to hedge at least 50% (2013: 50%) of its mismatched interest rate exposure through appropriate interest rate financial derivative instruments and obtaining loans or issuing bonds on a fixed rate basis. At the balance sheet date, the Group has hedged approximately 54% (2013: 96%) of the Group's mismatched interest rate exposure.

39. Financial risk management objectives and policies (cont'd)

(a) *Interest rate risk (cont'd)*

Sensitivity analysis for interest rate risk

Sensitivity analysis is performed based on the following assumptions on the outstanding financial instruments of the Group at the balance sheet date:

(i) Changes in interest rates affect the interest income or finance expenses of variable interest financial instruments which include floating rate loans and deposits.

(ii) Changes in interest rates affect the fair values of derivative financial instruments.

(iii) Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the balance sheet date.

For a more meaningful analysis on the impact of interest rate on the Group, the sensitivity analysis includes the effect of interest rate fluctuation on the lease rental income.

Under these assumptions, an increase in interest rate of 10 basis points (2013: 10 basis points) or a decrease in interest rates of 10 basis points (2013: 10 basis points) for all currencies for which the Group has variable interest financial instruments at balance sheet date, with all other variables held constant, will have the following effect on the Group's profit net of tax and the Group's hedging reserve in equity. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment.

		Group	
	Basis points	**Effect on profit net of tax**	**Effect on hedging reserve in equity**
		US$'000	**US$'000**
2014			
Increase in interest rate	+10	(730)	–
Decrease in interest rate	-10	1,198	–
2013			
Increase in interest rate	+10	375	1
Decrease in interest rate	-10	(502)	–

39. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to a mismatch of assets and liabilities and/or due to refinancing risk.

To ensure that the Group is able to meet its financial obligations, the Group's policy is to have its loan repayments spread over substantial periods of up to 12 years, and also to have available committed credit facilities from banks.

As at 31 December 2014, the Group had unutilised unsecured committed revolving credit facilities of US$2,250 million (2013: US$2,335 million).

The Company also had committed long term revolving credit facilities pending the provision of a new replacement aircraft as collateral of US$181.2 million (2013: US$123.9 million).

Revenue from lease rentals will be sufficient to meet annual interest and regular loan repayment over the next one year period.

At the balance sheet date, approximately 11% (2013: 10%) of the Group's gross debt, comprising loans and borrowings and finance lease payables, will mature in less than one year.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Group				
2014				
Financial liabilities:				
Trade payables	40,147	–	–	40,147
Other payables	64,634	–	–	64,634
Loans and borrowings	904,965	4,795,850	2,633,442	8,334,257
Estimated interest payments	158,083	459,258	154,570	771,911
Finance lease payables	8,845	54,632	22,487	85,964
Security deposits	36,438	112,722	83,446	232,606
Estimated net swap payments	2,136	578	–	2,714
Other non-current liabilities	–	36,994	–	36,994
Total undiscounted financial liabilities	**1,215,248**	**5,460,034**	**2,893,945**	**9,569,227**

39. Financial risk management objectives and policies (cont'd)

(b) ***Liquidity risk (cont'd)***

	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Group				
2013				
Financial liabilities:				
Trade payables	42,248	–	–	42,248
Other payables	104,503	–	–	104,503
Loans and borrowings	699,116	3,026,627	3,637,078	7,362,821
Estimated interest payments	141,003	432,113	168,481	741,597
Finance lease payables	6,615	52,910	–	59,525
Security deposits	29,034	107,012	83,598	219,644
Estimated net swap payments	3,200	2,551	–	5,751
Other non-current liabilities	–	18,723	–	18,723
Total undiscounted financial liabilities	1,025,719	3,639,936	3,889,157	8,554,812

	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Company				
2014				
Financial liabilities:				
Trade payables	18,186	–	–	18,186
Other payables	54,518	–	–	54,518
Loans and borrowings	453,760	2,603,505	1,424,955	4,482,220
Estimated interest payments	105,691	324,178	117,321	547,190
Finance lease payables to subsidiary companies	125,415	458,720	460,614	1,044,749
Finance lease payables	8,845	54,632	22,487	85,964
Security deposits	9,771	74,995	55,337	140,103
Estimated net swap payments	2,136	578	–	2,714
Other non-current liabilities	–	31,678	–	31,678
Total undiscounted financial liabilities	**778,322**	**3,548,286**	**2,080,714**	**6,407,322**

39. Financial risk management objectives and policies (cont'd)

(b) ***Liquidity risk (cont'd)***

	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Company				
2013				
Financial liabilities:				
Trade payables	21,201	–	–	21,201
Other payables	91,112	–	–	91,112
Loans and borrowings	213,641	1,583,782	1,536,479	3,333,902
Estimated interest payments	82,839	270,387	130,739	483,965
Finance lease payables to subsidiary companies	104,859	469,515	575,234	1,149,608
Finance lease payables	6,615	52,910	–	59,525
Security deposits	15,278	64,550	65,971	145,799
Estimated net swap payments	3,200	2,551	–	5,751
Other non-current liabilities	–	16,985	–	16,985
Total undiscounted financial liabilities	538,745	2,460,680	2,308,423	5,307,848

Corporate guarantees for subsidiary companies

The maximum amount of corporate guarantees provided by the Company to the banks on bank loans taken up by subsidiary companies as at balance sheet date was US$3,852 million (2013: US$4,028.9 million).

39. Financial risk management objectives and policies (cont'd)

(c) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group is exposed to credit risk in the carrying amounts of trade and other receivables, derivative financial instruments, fixed deposits and cash and bank balances. Typically, the Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and maintenance reserves. However, an early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repair and maintenance and transitioning of the aircraft to a new lessee.

The Group's objective is to seek continual revenue growth while minimising credit losses. The Group undertakes credit appraisals on all potential lessees before entering into new leases and reviews the credit status of lessees annually. The Group also reviews the credit standing of vendors where significant and/or long term procurement contracts are being contemplated.

The Group's policy is to undertake deposit and derivatives business with reputable financial institutions which command an investment grade rating, typically not lower than the equivalent of Standard and Poor's "A-".

(i) Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets, including derivatives with positive fair values; and
- nominal amounts of approximately US$3,852.0 million (2013: US$4,028.9 million) relating to corporate guarantees provided by the Company to the banks on bank loans taken up by subsidiary companies, and also in certain lease agreements entered into by subsidiary companies

39. Financial risk management objectives and policies (cont'd)

(c) ***Credit risk (cont'd)***

(ii) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring individual lessee and regional exposure to its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	Group			
	2014		2013	
	US$'000	**% of total**	US$'000	% of total
By region:				
Europe and Africa	**4,665**	**98**	27	3
China	**38**	**–**	–	–
Asia Pacific	**53**	**1**	807	97
USA	**27**	**1**	–	–
	4,783	**100**	834	100
Less: Allowance for impairment	**–**		(779)	
	4,783		55	

(iii) Financial assets that are neither past due nor impaired

Trade and other receivables and finance lease receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings.

(iv) Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 and Note 17.

39. Financial risk management objectives and policies (cont'd)

(d) ***Foreign currency risk***

The Group has transactional currency exposures mainly arising from its borrowings that are denominated in a currency other than the respective functional currencies of the Group entities.

Certain loans and borrowings which are denominated in Australian Dollar, Chinese Yuan and Singapore Dollar are swapped into United States Dollar. Foreign currency exposure arises when the Group collects United States Dollar rentals to repay the Australian Dollar or Chinese Yuan or Singapore Dollar borrowings. The Group primarily utilises cross-currency interest rate swap contracts to hedge its Australian Dollar or Chinese Yuan or Singapore Dollar denominated financial liabilities.

Accordingly, a movement in foreign currency exchange rate is not expected to have a material impact on the Group's financial statements.

40. Capital management

The primary objective of the Group's capital management is to ensure that it maximises shareholder value given an optimal debt to equity structure.

The Group manages its capital structure and makes adjustments to it after taking into account its capital expenditure and financing requirements. To maintain or adjust the capital structure, the Group may request for additional capital from the shareholder, adjust dividend payment to the shareholder or return capital to the shareholder. No changes were made in the objectives, policies or processes during the year ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is gross debt divided by total equity. The Group's policy is to keep the gearing at less than 5 times (which is the limit imposed by the covenants of certain banking facilities). The gross debts comprise the Group's loans and borrowings and finance lease payables. Total equity refers to the equity attributable to the owner of the Company.

	Group	
	2014	2013
	US$'000	US$'000
Gross debt	**8,420,221**	7,422,346
Total equity	**2,096,411**	1,926,632
Gearing (times)	**4.02**	3.85

41. Comparative figures

The financial statements for the year ended 31 December 2013 were audited by another firm of Public Accountants and Chartered Accountants.

42. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on 6 March 2015.

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8 Shenton Way #18-01, Singapore 068811 | T +65 6323 5559 F +65 6323 6962
www.bocaviation.com