FOCUSED
GROWTH

Annual Report 2015

BOC AVIATION

BOC Aviation is a leading global aircraft operating leasing company with a portfolio of 270 owned and managed aircraft leased to 62 airlines worldwide in 30 countries, with commitments to acquire 241[1] aircraft, as at 31 December 2015.

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.

[1] Includes commitments under purchase and leaseback transactions, and purchase commitments in respect of which airline customer has the right to acquire the relevant aircraft

Chairman's Message

BOC Aviation has done an outstanding job in diversification in key areas: choice of aircraft assets, sources of funding, and geographical sources of revenue.

2015 marked the ninth year of Bank of China's ownership of BOC Aviation, and another year of growth and innovation. In 2015, BOC Aviation's assets surpassed $12 billion, total revenues and other income exceeded US$1 billion, and net income rose 11% to a new record US$343 million.

BOC Aviation is today a Top 5 global aircraft operating leasing company, and plays an important role in the internationalisation of Bank of China's business. As at 31 December 2015, it had 62 airline customers in 30 countries across all major geographic regions. The expanded aircraft leasing, aircraft sales and capital markets teams at BOC Aviation in Dublin, London, Seattle and Tianjin work closely with the bank's branches in China, Europe and U.S. to extend quality services to Fortune 500 companies in the aviation world such as Airbus, Boeing and GE, among others.

In 2015, the Company embarked on a strategy that encompassed the first aircraft portfolio sale in the capital markets, which also boosted the number of aircraft under management and demonstrated its strength in product innovation. The transaction has won seven awards so far, underscoring the recognition from the finance industry.

During the year, the Company reached notable milestones when the cumulative delivery of aircraft since inception exceeded 200 for Airbus and exceeded 175 for Boeing. BOC Aviation became a Top 10 Airbus customer. BOC Aviation has done an outstanding job in diversification in key areas: choice of aircraft assets, sources of funding, and geographical sources of revenue.

BOC Aviation is now actively preparing for a potential initial public offering, with the aim of diversifying funding sources by accessing the equity markets. In the coming years, the Company, as part of Bank of China Group, is well-positioned to take advantage of the benefits of China's *One Belt, One Road* strategic policy. With access to Bank of China's financial strength and global reach, BOC Aviation will continue to practise innovation, develop services and management expertise, and enhance its capital strength. It will establish and improve its information disclosure, improve transparency, strengthen its incentive and restraint mechanism, improve business performance, promote corporate governance, and enhance corporate value and returns for its shareholders. Furthermore, it will strive to maintain scalability and contribute further to the BOC Group's corporate strategic goal of "taking social responsibility and being the best bank."

I'd like to thank our customers and business partners for their ongoing support, and our shareholder, directors, management and employees for contributing to BOC Aviation's continued success. Let us work together to build an even brighter future for BOC Aviation.

CHEN SIQING
Chairman

CEO's
Message

Another strong year of financial performance in 2015 resulting in a return on equity of 15.1%.

In our 22nd year of operations, the Company delivered another strong year of financial performance in 2015 resulting in a return on equity of 15.1%. We solidified our position as a leading global aircraft leasing company, and the largest aircraft operating leasing company headquartered in Asia.

In 2015, BOC Aviation had another record year of net profit after tax of US$343 million, a gain of 11% over 2014, as revenues and other income rose 10% to exceed US$1 billion for the first time. Total assets increased to US$12.5 billion, with total equity of US$2.4 billion.

The portfolio totalled 270 aircraft as at 31 December 2015. The managed fleet increased to 43 aircraft after the successful closing of our first, and award-winning, aircraft portfolio sale of 24 aircraft into a vehicle funded by the capital markets. We will now continue to manage these aircraft.

Our owned fleet is amongst the youngest in the industry, averaging just 3.3 years weighted by net book value as at 31 December 2015. During the year, we took delivery of 40 new aircraft including our first Boeing 787 aircraft and signed 46 leases, adding seven customers. We actively managed our portfolio, selling a total of 43 owned and one managed aircraft in 2015.

To position the Company for future growth, we announced orders for 22 Boeing 737 family aircraft and 30 Airbus A320 family aircraft. With these new orders, we have a contracted future stream of 241[1] aircraft due to deliver as at 31 December 2015, including the new technology Airbus A320neo family and Boeing 737MAX aircraft. The deliveries in our order book now average 40 aircraft per year over the next six years.

On the liability side of the balance sheet, BOC Aviation continued to build on the strength of its efficient capital structure in 2015. In early 2015, Standard & Poor's raised our corporate credit rating to A-, and we continue to be rated A- by Fitch Ratings. During the year, we raised more than US$2 billion in debt financing. We opened up a new market in the US capital markets, issuing our first Regulation S/Rule 144A US dollar bonds with another award-winning deal totaling US$750 million.

We ended 2015 in a strong liquidity position, with US$507 million in total cash and fixed deposits, and more than US$2.5 billion in un-utilised committed credit facilities. Our net debt-to-equity ratio was 3.5:1 at end-2015 and the average cost of financing for 2015 remained amongst the lowest in our industry, at 2%.

The senior management team has managed the Company successfully through multiple cycles, and we continue to groom the next generation of talent for the future. By the end of 2015, we had 137 employees of 14 nationalities based in offices in Singapore, London, Dublin, Seattle and Tianjin to continue our global coverage.

2015 was another successful year for BOC Aviation, with our latest product and financing innovations winning a number of awards. We would like to extend our thanks to BOC Aviation's Board, employees, shareholder and our external stakeholders for their support that resulted in this great performance.

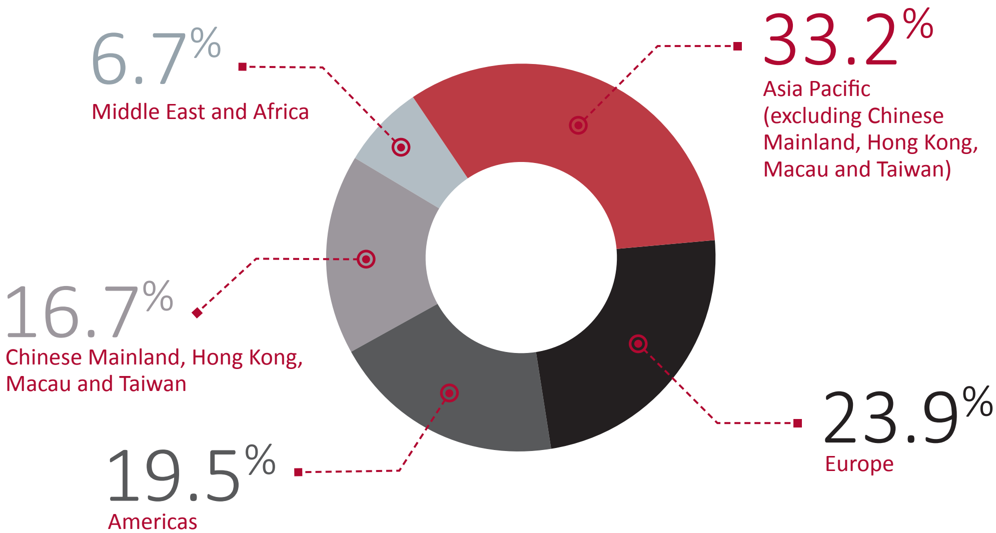
ROBERT MARTIN
Managing Director & Chief Executive Officer

[1] Includes commitments under purchase and leaseback transactions, and purchase commitments in respect of which airline customer has the right to acquire the relevant aircraft

2015 in Review

Global Presence

Distribution of Lease Rental Income by Region[2]



1 Ranked by fleet value based on owned fleet, using Flightglobal's Fleets Analyzer and Values databases. (Source: Airline Business, Jan-Feb 2016 issue)

2 As percentage of total lease rental income for the year ended 31 December 2015

New Aircraft

Announced orders for 52 new aircraft

Ended the year with an order book of 241[3] aircraft

22
Boeing 737 Family Aircraft

30
Airbus A320 Family Aircraft

Investment Grade Long-term Credit ratings

A- from Fitch and Standard & Poor's

First-ever Rule 144A/Regulation S Bond Transaction

Raised **US$** 750 **million**

Operational Highlights

As at 31 December 2015

Average age of owned aircraft of
3.3
years, weighted by net book value

Average lease term remaining of
7.4
years for owned fleet, weighted by net book value

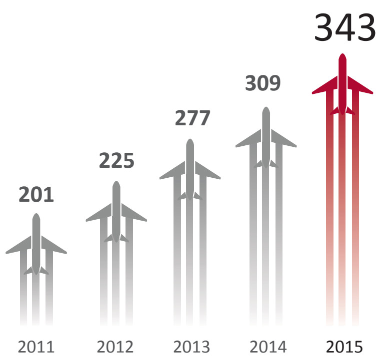
Total of
62
airline customers in **30** countries

First-ever sale of
24
aircraft portfolio funded in the capital markets

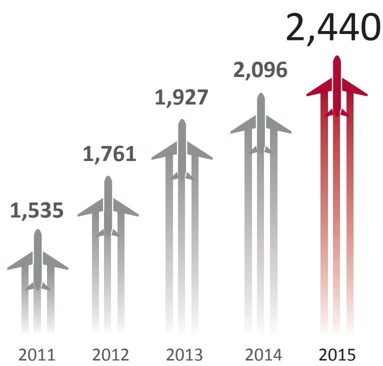
[3] Includes commitments under purchase and leaseback transactions, and purchase commitments in respect of which airline customer has the right to acquire the relevant aircraft

Financial Highlights

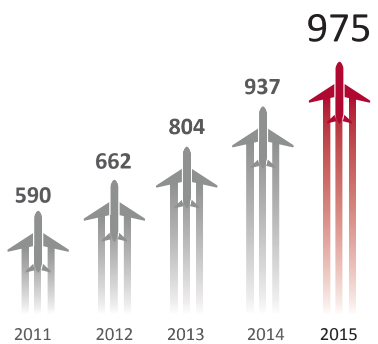
Net Profit After Tax (US$million)



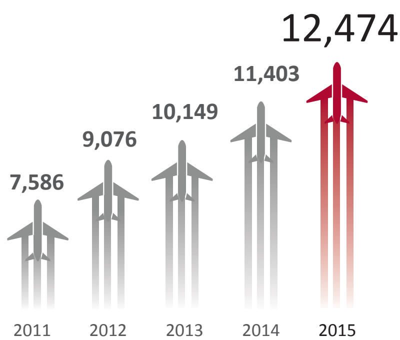
Total Equity (US$million)



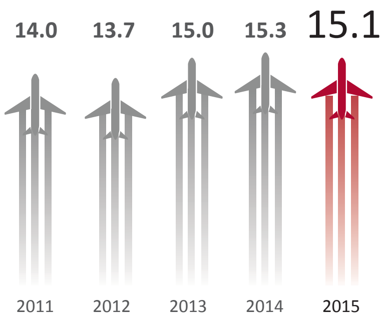
Lease Rental Income (US$million)



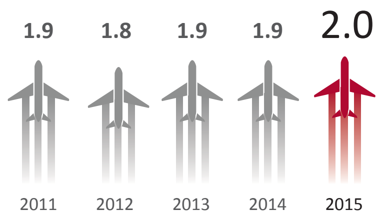
Total Assets (US$million)



Return on Equity[1] (%)

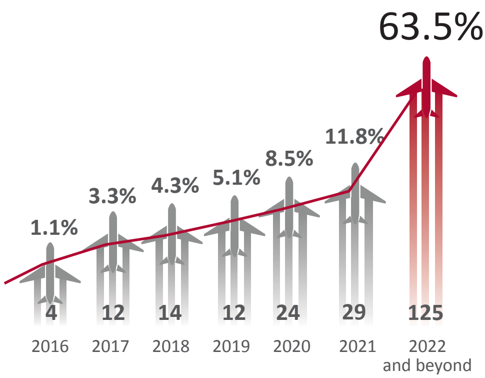


Average Cost of Funds[2] (%)



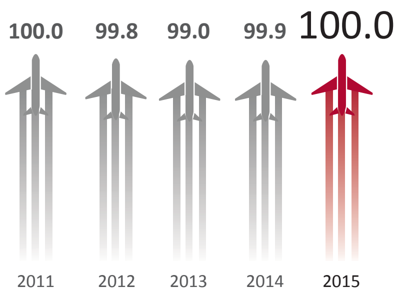
Long-Term Contracted Leases[3]

Average lease term remaining of 7.4 years



Fleet Utilisation[4] (%)

Average fleet utilisation: 99.7%



1 Return on equity is computed as Net Profit after Tax/Average Total Equity

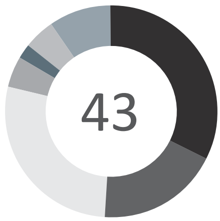
2 Average cost of funds is computed as Finance Expenses and Capitalised Interest/Average Gross Debt

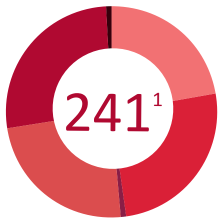
3 Owned aircraft with leases expiring in each calendar year, weighted by Net Book Value, excluding any aircraft for which BOC Aviation has sale or lease commitments

4 Fleet utilisation is the total number of on-lease days as a percentage of available lease days for the indicated calendar year

Fleet Data Summary in 2015

As at 31 December 2015





	Owned Aircraft	Managed Aircraft	Orderbook	Total No. of Aircraft
Airbus A320CEO family	108	14	58	180
Airbus A320NEO family	–	–	64	64
Airbus A330-300	11	8	2	21
Boeing 737NG family	78	12	54	144
Boeing 737 MAX 8	–	–	61	61
Boeing 777-300ER	13	2	2	17
Boeing 777-300	1	1	–	2
Boeing 787	2	–	–	2
Embraer E190 family	11	2	–	13
Freighters	3	4	–	7
Total	227	43	241	511

[1] Includes commitments under purchase and leaseback transactions, and purchase commitments in respect of which airline customer has the right to acquire the relevant aircraft

Senior **Management Team**

Gao Jinyue
Chief Commercial Officer
(Asia Pacific & the Middle East)

Phang Thim Fatt
Deputy Managing Director &
Chief Financial Officer

Wang Genshan
Deputy Managing Director &
Vice-Chairman

Steven Townend
Chief Commercial Officer
(Europe, Americas & Africa)

Robert Martin
Managing Director &
Chief Executive Officer

David Walton
Chief Operating Officer

Milestones

1993
Singapore Aircraft Leasing Enterprise (SALE) established

1995
Acquired first owned aircraft

1996
Placed first order with Airbus for 12 A320 Aircraft

1997
Placed first order with Boeing for six 777 aircraft

Temasek Holdings (Private) Limited and Government of Singapore Investment Corporation Private Limited each became a 14.5% shareholder of SALE

1998
Sold first owned aircraft

2000
Launched SALE's first bond issue

2001
First overseas office opened in London

2004
Owned fleet reached 50 aircraft

2006
Bank of China acquired 100% of SALE on 15 December 2006

Office opened in Seattle

2007
Name of the Company changed to BOC Aviation Pte. Ltd.

2009
Owned fleet exceeded 100 aircraft

Office opened in Dublin

2011
Owned fleet exceeded 150 aircraft

Placed first order with Embraer for E190 family aircraft

2013
Owned fleet exceeded 200 aircraft

2014
Owned and managed fleet reached 250 aircraft

Aircraft on order at the end of the year exceeded 200

2015
Office opened in Tianjin

First portfolio sale of 24 aircraft to a special purpose purchaser funded by the capital markets

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

Financial Statements

For the financial year ended 31 December 2015

CONTENTS

Directors' Statement

For the financial year ended 31 December 2015

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 statement of financial position of the Company for the financial year ended 31 December 2015.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position of the Company present fairly, in all material respects, the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year then ended; 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.

2. 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	Executive Director
Fu Shula	Director
Dr Xiao Wei	Director
Li Mang	Director (appointed on 14 December 2015)
Ren Li	Director (appointed on 14 December 2015)
Zhu Lin	Director
Zhuo Chengwen	Director (appointed on 14 December 2015)

3. Arrangements to enable Directors to acquire shares 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.

4. Directors' interests in shares and 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 date of appointment, if later, or at the end of the financial year.

Directors' **Statement** (cont'd)

For the financial year ended 31 December 2015

5. Directors' contractual benefits

Except as disclosed in the financial statements, 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.

6. 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
Zhu Lin	Non-executive member (appointed on 14 December 2015)

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.

Directors' Statement (cont'd)

For the financial year ended 31 December 2015

7. 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
3 March 2016

Independent Auditor's Report

For the financial year ended 31 December 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 85, which comprise the statements of financial position of the Group and the Company as at 31 December 2015, the consolidated statement of changes in equity, consolidated statement of profit or loss, consolidated statement of other comprehensive income and consolidated statement of cash flows of the Group for the 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 and fair presentation of these consolidated financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and International Financial Reporting Standards, and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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 consolidated 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 (cont'd)

For the financial year ended 31 December 2015

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 statement of financial position of the Company present fairly, in all material respects, the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year then ended in accordance with the provisions of the Act and International Financial Reporting Standards.

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

3 March 2016

Consolidated Statement of Profit or Loss

For the financial year ended 31 December 2015

	Note	2015 US$'000	2014 US$'000
Revenues			
- Lease rental income	4	**975,485**	936,916
- Interest and fee income	5	**39,844**	11,607
Other income			
- Net gain on sale of aircraft	6	**70,144**	30,291
- Others		**5,249**	8,820
Allowance for doubtful debts written back			
- Trade receivables	15	**–**	779
- Other receivables	16	**–**	20
		1,090,722	988,433
Costs and expenses			
Depreciation of plant and equipment	12	**381,951**	381,247
Finance expenses	7	**168,771**	150,780
Amortisation of deferred debt issue costs	8	**18,129**	14,546
Amortisation of lease transaction closing costs	13	**345**	171
Staff costs	9	**58,689**	51,230
Marketing and travelling expenses		**5,037**	5,048
Other operating expenses	10	**12,467**	9,545
Impairment of aircraft	12	**43,900**	23,100
		(689,289)	(635,667)
Profit before income tax		**401,433**	352,766
Income tax expense	11	**(58,126)**	(44,192)
Profit for the year attributable to equity holder of the Company		**343,307**	308,574

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

Consolidated Statement of Other Comprehensive Income

For the financial year ended 31 December 2015

`	Note	2015 US$'000	2014 US$'000
Profit for the year		**343,307**	308,574
Other comprehensive income:			
Items that may be reclassified subsequently to statement of profit or loss			
Effective portion of changes in fair value of cash flow hedges, net of tax	29	–	205
Other comprehensive income for the year, net of tax		–	205
Total comprehensive income for the year		**343,307**	308,779
Attributable to:			
Equity holder of the Company		**343,307**	308,779

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

Consolidated Statement of Financial Position

As at 31 December 2015

		Group		
	Note	**31.12.2015**	31.12.2014	1.1.2014
		US$'000	US$'000	US$'000
Non-current assets				
Plant and equipment	12	**11,717,436**	11,015,308	9,594,313
Lease transaction closing costs	13	**649**	661	1,365
Derivative financial instruments	14	**2,011**	1,476	–
		11,720,096	11,017,445	9,595,678
Current assets				
Derivative financial instruments	14	**–**	213	722
Trade receivables	15	**400**	4,783	55
Prepayments		**1,542**	1,652	1,094
Other receivables	16	**22,813**	11,677	12,949
Fixed deposits	17	**237,415**	212,204	455,435
Cash and bank balances	18	**269,417**	155,200	82,727
Assets held for sale	19	**222,222**	–	–
		753,809	385,729	552,982
Total assets		**12,473,905**	11,403,174	10,148,660
Current liabilities				
Derivative financial instruments	14	**393**	5,030	5,557
Trade and other payables	20	**106,104**	67,992	111,948
Deferred income	21	**62,240**	36,789	34,803
Income tax payables		**874**	94	614
Loans and borrowings	22	**963,291**	889,318	685,686
Finance lease payables	23	**9,148**	8,776	6,585
Security deposits	24	**36,970**	36,438	29,034
Liabilities associated with assets held for sale	19	**36,299**	–	–
Deferred asset value guarantee fees		**–**	–	30
		1,215,319	1,044,437	874,257
Net current liabilities		**(461,510)**	(658,708)	(321,275)
Total assets less current liabilities		**11,258,586**	10,358,737	9,274,403

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

Consolidated Statement of Financial Position (cont'd)

As at 31 December 2015

	Note	Group 31.12.2015 US$'000	31.12.2014 US$'000	1.1.2014 US$'000
Non-current liabilities				
Derivative financial instruments	14	**146,216**	73,168	5,390
Loans and borrowings	22	**7,648,531**	7,272,301	6,569,412
Finance lease payables	23	**67,655**	76,802	52,812
Security deposits	24	**183,737**	177,107	164,136
Deferred income	21	**16,867**	19,061	26,474
Maintenance reserves	26	**432,897**	383,940	335,456
Deferred income tax liabilities	27	**277,010**	219,953	175,368
Other non-current liabilities	25	**45,955**	39,994	18,723
		8,818,868	8,262,326	7,347,771
Total liabilities		**10,034,187**	9,306,763	8,222,028
Net assets		**2,439,718**	2,096,411	1,926,632
Equity attributable to equity holder of the Company				
Share capital	28	**607,601**	607,601	607,601
Retained earnings		**1,832,117**	1,488,810	1,319,236
Hedging reserve	29	**–**	–	(205)
Total equity		**2,439,718**	2,096,411	1,926,632
Total equity and liabilities		**12,473,905**	11,403,174	10,148,660

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

Statement
of Financial Position

As at 31 December 2015

	Note	Company 31.12.2015 US$'000	31.12.2014 US$'000	1.1.2014 US$'000
Non-current assets				
Plant and equipment	12	**5,309,578**	4,473,501	4,253,037
Lease transaction closing costs	13	**1,025**	1,277	1,910
Derivative financial instruments	14	**2,011**	1,476	–
Finance lease receivables from a subsidiary company	36	**49,059**	71,002	77,054
Amounts due from subsidiary companies	32	**1,962,360**	1,851,273	818,601
Investments in subsidiary companies	33	**686,429**	695,630	697,176
		8,010,462	7,094,159	5,847,778
Current assets				
Derivative financial instruments	14	**–**	213	722
Trade receivables	15	**–**	65	41
Prepayments		**1,410**	1,529	871
Other receivables	16	**18,584**	9,008	4,808
Fixed deposits	17	**134,814**	113,948	387,035
Cash and bank balances	18	**116,156**	105,614	20,241
Assets held for sale	19	**71,110**	–	–
Finance lease receivables from a subsidiary company	36	**21,943**	6,052	5,717
		364,017	236,429	419,435
Total assets		**8,374,479**	7,330,588	6,267,213
Current liabilities				
Derivative financial instruments	14	**393**	5,030	5,557
Trade and other payables	20	**78,935**	54,993	94,397
Deferred income	21	**21,759**	17,711	17,916
Loans and borrowings	22	**597,113**	448,864	211,450
Finance lease payables	23	**9,148**	8,776	6,585
Security deposits	24	**14,975**	9,771	15,278
Finance lease payables to subsidiary companies	31	**100,812**	120,532	99,973
Liabilities associated with assets held for sale	19	**36,299**	–	–
Deferred asset value guarantee fees		**–**	–	30
		859,434	665,677	451,186
Net current liabilities		**(495,417)**	(429,248)	(31,751)
Total assets less current liabilities		**7,515,045**	6,664,911	5,816,027

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

Statement of Financial Position (cont'd)

As at 31 December 2015

	Note	Company 31.12.2015 US$'000	31.12.2014 US$'000	1.1.2014 US$'000
Non-current liabilities				
Derivative financial instruments	14	**146,216**	73,168	5,390
Loans and borrowings	22	**4,636,370**	3,941,054	3,103,275
Finance lease payables	23	**67,655**	76,802	52,812
Security deposits	24	**128,533**	117,202	109,838
Deferred income	21	**11,759**	13,130	20,683
Maintenance reserves	26	**142,409**	115,718	122,515
Deferred income tax liabilities	27	**52,894**	32,135	25,384
Finance lease payables to subsidiary companies	31	**762,451**	880,928	1,001,435
Other non-current liabilities	25	**34,779**	31,678	16,985
		5,983,066	5,281,815	4,458,317
Total liabilities		**6,842,500**	5,947,492	4,909,503
Net assets		**1,531,979**	1,383,096	1,357,710
Equity attributable to equity holder of the Company				
Share capital	28	**607,601**	607,601	607,601
Retained earnings		**924,378**	775,495	750,109
Total equity		**1,531,979**	1,383,096	1,357,710
Total equity and liabilities		**8,374,479**	7,330,588	6,267,213

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2015

	Note	Attributable to equity holder of the Company			
		Share capital US$'000	Revenue reserve US$'000	Hedging reserve US$'000	Total equity US$'000
2014					
Balance at 1 January 2014		**607,601**	**1,319,236**	**(205)**	**1,926,632**
Profit for the year		–	308,574	–	308,574
Other comprehensive income for the year	29	–	–	205	205
Total comprehensive income for the year		–	308,574	205	308,779
Dividends paid	34	–	(139,000)	–	(139,000)
Balance at 31 December 2014		**607,601**	**1,488,810**	**–**	**2,096,411**
2015					
Balance at 1 January 2015		**607,601**	**1,488,810**	**–**	**2,096,411**
Profit for the year		–	343,307	–	343,307
Other comprehensive income for the year	29	–	–	–	–
Total comprehensive income for the year		–	343,307	–	343,307
Dividends paid	34	–	–	–	–
Balance at 31 December 2015		**607,601**	**1,832,117**	**–**	**2,439,718**

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2015

`	Note	2015 US$'000	2014 US$'000
Cash flows from operating activities:			
Profit before income tax		**401,433**	352,766
Adjustments for:			
Depreciation of plant and equipment	12	**381,951**	381,247
Impairment of aircraft	12	**43,900**	23,100
Amortisation of deferred debt issue costs	8	**18,129**	14,546
Amortisation of lease transaction closing costs	13	**345**	171
Net gain on sale of aircraft	6	**(70,144)**	(30,291)
Asset value guarantee fees recognised		**–**	(30)
Allowance for doubtful debts (trade) written back	15	**–**	(779)
Allowance for doubtful debts (non-trade) written back	16	**–**	(20)
Interest and fee income		**(36,396)**	(8,340)
Finance expenses	7	**168,771**	150,780
Operating profit before working capital changes		**907,989**	883,150
Increase in receivables		**(10,378)**	(5,669)
Increase/(decrease) in payables		**37,851**	(25,013)
Increase in maintenance reserves		**113,983**	84,375
Increase in deferred income		**19,617**	1,468
Cash generated from operations		**1,069,062**	938,311
Security deposits received, net		**4,968**	12,962
Lease transaction closing costs paid	13	**(233)**	(272)
Income tax paid, net		**(313)**	(127)
Interest and fee income received		**38,949**	10,795
Net cash flows from operating activities		**1,112,433**	961,669
Cash flows from investing activities:			
Purchase of plant and equipment		**(3,409,917)**	(3,142,775)
Proceeds from sale of plant and equipment		**2,092,315**	1,315,861
Net cash flows used in investing activities		**(1,317,602)**	(1,826,914)
Cash flows from financing activities:			
Proceeds from loans and borrowings		**2,824,033**	2,153,061
Repayment of loans and borrowings		**(2,287,778)**	(1,155,185)
Finance expenses paid		**(171,443)**	(151,315)
Debt issue costs paid		**(20,215)**	(13,075)
Dividends paid	34	**–**	(139,000)
Decrease in cash and bank balances- encumbered		**166,278**	130,283
Increase in cash and bank balances- encumbered		**(166,457)**	(228,609)
Net cash flows from financing activities		**344,418**	596,160
Net increase/(decrease) in cash and cash equivalents		**139,249**	(269,085)
Cash and cash equivalents at beginning of year		**232,144**	501,229
Cash and cash equivalents at end of year	30	**371,393**	232,144

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

1. Corporate information

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 Group Investment Limited, incorporated in Hong Kong and owned by Bank of China Limited, incorporated in the People's Republic of China. Bank of China Limited is owned by Central Huijin Investment Ltd, which is 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 and other related activities.

2. Summary of significant accounting policies

2.1 Basis of presentation and preparation

As at 31 December 2015, the Group's and the Company's current liabilities exceeded its current assets by US$461.5 million and US$495.4 million respectively (2014: US$658.7 million and US$429.2 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.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). For all periods up to and including the year ended 31 December 2014, the Group prepared its financial statements in accordance with Singapore Financial Reporting Standards (SFRS). These financial statements for the year ended 31 December 2015 are the first the Group has prepared in accordance with IFRS. Refer to Note 2.2 for information on first-time adoption of IFRS.

The financial statements have been prepared on a historical cost convention, except as disclosed in the accounting policies and explanatory notes below. The financial statements are presented in the Group's functional currency, United States Dollar ("US$") and all values are rounded to the nearest thousand (US$'000), except when otherwise indicated.

The preparation of financial statements in conformity with IFRS 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.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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

2.2 First-time adoption of IFRS

As described in the summary of significant accounting policies, the Group and the Company have prepared financial statements for the year ended 31 December 2015 and the comparative period data for the year ended 31 December 2014 that comply with applicable IFRS. For the transition to IFRS, the Group prepares the opening statement of financial position as at 1 January 2014.

The estimates at 1 January 2014 and at 31 December 2014 are consistent with those made for the same dates in accordance with SFRS.

The Group has not applied any exemptions from the retrospective application of certain requirements under IFRS.

2.3 (a) Standards issued but not yet effective

The Group has not adopted the following new and revised IFRSs, which have been issued but are not yet effective:

Standards/ Amendments	Content	Applicable for financial years beginning on/after
IAS 1 (Amendments)	Disclosure Initiative	1 January 2016
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 27 (2011) (Amendments)	Equity Method in Separate Financial Statements	1 January 2016
IFRS 10, IFRS 12 and IAS 28 (2011) (Amendments)	Investment entities: Applying the Consolidation Exception	1 January 2016
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

Based on initial assessment, the Group does not expect the adoption of the above standards/amendments to have material impact on the financial statements in the period of initial application.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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

2.3 (b) Improvements to IFRSs

"Improvements to IFRSs" contains numerous amendments to IFRSs. It comprises amendments that result in accounting changes for presentation, recognition or measurement purpose as well as terminology or editorial amendments related to a variety of individual IFRSs. The amendments will be effective for annual periods beginning on or after 1 January 2016. The Group does not expect the adoption of these improvements to IFRSs to have material impact on the financial statements in the period of initial application.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at 31 December 2015. 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 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.

2.5 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 entity operates ("functional currency").

(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 each year. Exchange differences arising from the translation of monetary assets and liabilities are taken to profit or loss. 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.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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

2.6 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 profit or loss.

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 profit or loss. Depreciation on the relevant asset is charged to profit or loss.

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) Aircraft progress payments

Aircraft progress payments relate to pre-delivery payments for aircraft under construction. These progress payments are recognised under plant and equipment when payments are made.

(c) Other plant and equipment

Other plant and equipment comprises office renovations, furniture, fittings and office equipment 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 profit or loss.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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

2.6 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	- 3 to 5 years
Furniture, 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 profit or loss 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 profit or loss in the period the asset is derecognised.

2.7 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable. Property, plant and equipment, once classified as held for sale are not depreciated.

2.8 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 profit or loss.

Where the lease agreement is terminated or novated prior to its expiry date, the remaining lease transaction closing costs will be written off to the profit or loss.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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

2.9 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 profit or loss.

2.10 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.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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

2.11 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 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.

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. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss.

(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 profit or loss 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 de-recognition 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 profit or loss.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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

2.11 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities 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 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 profit or loss.

(ii) Other financial liabilities

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss 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 expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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

2.11 Financial instruments (cont'd)

(c) Offsetting of financial instruments

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

2.12 Impairment of financial assets

The Group assesses at the end of each year 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 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 (that is, 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 profit or loss.

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 profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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

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 re-measured at fair value. 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 profit or loss 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 profit or loss; 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 profit or loss.

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.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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

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

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 profit or loss.

(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 profit or loss.

Amounts taken to hedging reserve are transferred to profit or loss when the hedged transaction affects profit or loss, 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 profit or loss. 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 other comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

2.14 Provisions

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

Provisions are reviewed at the end of each year 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.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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

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 lessee to make monthly or end of lease maintenance reserves contributions to the Group which subsequently can be drawn on to pay for certain maintenance events carried out. These maintenance reserves balances are accounted for as liabilities. Upon termination of the lease, any unutilised maintenance reserves balance will be released to the profit or loss or continued to be retained as reserves for drawdown by the follow-on operator. Upon sale of the aircraft, any unutilised maintenance reserves balance not transferred to buyer will be released to the profit or loss. Any shortfall identified in the balances held in respect of historic operation of the aircraft that may be required to be made available for drawdown by follow-on operators are provided as a charge to the profit or loss.

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 is 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. 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 or advances of pre-delivery payments 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.

2.17 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 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.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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

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 Group and subsequently measured at amortised cost using the effective interest method.

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

2.19 Employee benefits

(a) Short term employee benefits

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

(b) Short term incentive plan

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

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(c) Long term incentive plan

The long term incentive plan 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. The bonus is accrued and recognised in the profit or loss in the period in which the employees render their services to the Group. Any over or under provision will be recognised in the profit or loss. Payment of accrued bonus will be made over a period after each pre-determined period.

(d) Employer's defined contribution benefits

As required by law, the Group makes contributions to Central Provident Fund ("CPF") in Singapore, National Insurance in United Kingdom, Pay Related Social Insurance in Ireland, Federal Insurance Contributions in United States of America and Social Insurance in China. These contributions are recognised as compensation expenses in the period in which the employees render their services to the Group.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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

2.20 Leases

(a) Where the Group or the Company is the lessor

Leases where the Group or the Company 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 basis 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.

Finance leases, which effectively transfer to lessee substantially all the risks and benefits incidental to ownership of the leased asset, 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. Lease receipts are apportioned between the finance income and reduction of the leased asset so as to achieve a constant rate of interest on the remaining balance of the asset. Finance income are charged directly to the profit or loss.

(b) 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 asset, are capitalised 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. 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 profit or loss.

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 profit or loss on a straight-line basis over the lease term.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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) 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 Company'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.

Notes to the
Financial Statements (cont'd)

For the financial year ended 31 December 2015

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

2.22 Taxes

(a) Current income tax

Current income 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 end of each year, in the countries where the Group operates and generates taxable income.

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

(b) Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the end of each year 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:

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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

2.22 Taxes (cont'd)

(b) Deferred income tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each year 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 year 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 in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each year.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current 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 in the statement of financial position 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.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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); or

(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).

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

3. Significant accounting judgments and estimates

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 year. 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

In the process of applying the Group's accounting policies, management has made the following judgments which have significant effect on the amounts recognised in the financial statements.

(i) 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 monthly or end of lease 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 profit or loss.

(ii) Impairment of financial assets

The Group follows the guidance of IAS 39 in determining when a financial asset is other-than-temporarily impaired and this requires 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.

(iii) Fair value of financial instruments

Where the fair values of financial instruments recorded in the statement of financial position 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.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

3. Significant accounting judgments and estimates (cont'd)

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

(iv) Classification of leases

- 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.

- 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 statement of financial position.

- 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 statement of financial position.

(v) 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. Management judgment is required to determine that the undistributed profits of the subsidiary companies will not be distributed and remitted into Singapore in the foreseeable future. The Company provides for taxes on the undistributed earnings of foreign subsidiary companies 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 overseas unremitted income as at 31 December 2015 was US$817.4 million (2014: US$640.4 million) 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. 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.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

3. Significant accounting judgments and estimates (cont'd)

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

(v) 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 27.

(vi) Non-current assets held for sale

Non-current asset is classified as held for sale when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and its sale must be highly probable. Management judgment is required to assess whether the asset meets the conditions to be classified as assets held for sale and details have been disclosed in Note 19.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each year 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.

(i) Impairment of aircraft

The Group follows the guidance of IAS 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 or recent sale transactions. 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.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

3. Significant accounting judgments and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(ii) 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 one-year difference in the expected useful lives of these assets from management's estimates would result in an increase in annual depreciation charges which is approximately US$16.4 million (2014: US$16.6 million). Such a decrease in the useful lives of the Group's aircraft could affect the Group's annual profit before tax in future.

(iii) Fair values

Fair values of the derivative financial instruments have been determined by marked-to-market values provided by counterparties as disclosed in Note 14.

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

(iv) 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 27.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

4. Lease rental income

	Group 2015 US$'000	Group 2014 US$'000
Lease rental income		
- Third parties	**951,861**	916,038
- Related parties	**23,624**	20,878
	975,485	936,916

5. Interest and fee income

	Group 2015 US$'000	Group 2014 US$'000
Interest and fee income		
- Fixed deposits and bank balances	**1,400**	2,983
- Aircraft pre-delivery payments	**34,909**	4,861
- Lease management fee income	**2,284**	704
- Remarketing fee income	**1,164**	2,533
- Asset value guarantee fee income	**–**	30
- Others	**87**	496
	39,844	11,607

6. Net gain on sale of aircraft

	Note	Group 2015 US$'000	Group 2014 US$'000
Sale of aircraft			
- Proceeds from sale of aircraft		**1,822,618**	1,315,861
- Maintenance reserves released	26	**65,026**	35,891
- Net book value of aircraft		**(1,798,652)**	(1,319,484)
- Expenses		**(18,848)**	(1,977)
Net gain on sale of aircraft		**70,144**	30,291

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

7. Finance expenses

	Group	
	2015	2014
	US$'000	US$'000
Interest expense and other charges on:		
- Finance leases	**1,156**	995
- Loans and borrowings	**169,063**	152,159
	170,219	153,154
Net fair value gains on derivative financial instruments	**(1,448)**	(2,374)
	168,771	150,780

8. Amortisation of deferred debt issue costs

		Group	
	Note	**2015**	2014
		US$'000	US$'000
Arising from:			
- Loans and borrowings	22	**18,060**	14,491
- Finance lease payables	23	**69**	55
		18,129	14,546

9. Staff costs

	Group	
	2015	2014
	US$'000	US$'000
Salaries, bonuses and other staff costs	**56,892**	49,387
Employer's defined contribution benefits	**1,797**	1,843
	58,689	51,230

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

10. Other operating expenses

	Group	
	2015	2014
	US$'000	US$'000
General office expenses	**3,305**	3,531
Operating lease expenses	**2,294**	2,383
Technical services expenses	**1,448**	(1,665)
Professional fees	**4,975**	4,406
Auditors' remuneration	**316**	342
Net foreign exchange losses	**105**	9
Others	**24**	539
	12,467	9,545

Technical services expenses include provisions for repair, maintenance and repossession costs of aircraft.

11. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	Group	
	2015	2014
	US$'000	US$'000
Current tax		
- Singapore	**(43)**	(46)
- Foreign	**1,112**	156
- Write-back of provision in respect of prior years	**–**	(503)
	1,069	(393)
Deferred tax		
- Singapore	**20,759**	10,303
- Foreign	**36,298**	37,834
- Write-back of provision in respect of prior years	**–**	(3,552)
	57,057	44,585
	58,126	44,192

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

11. Income tax expense (cont'd)

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 are as follows:

	Group	
	2015	2014
	US$'000	US$'000
Profit before income tax	**401,433**	352,766
Tax at the domestic tax rate of 17% (2014:17%)	**68,244**	59,970
Adjustments:		
Different tax rates in other countries	**178**	7,661
Effects of Aircraft Leasing Scheme incentive on Company's results	**(13,125)**	(21,105)
Income not subject to tax	**(286)**	(773)
Expenses not deductible for tax purposes	**3,107**	2,895
Others	**8**	(401)
Write-back of provision in respect of prior years	**–**	(4,055)
	58,126	44,192

As at 31 December 2015, the Group had unabsorbed capital allowances of approximately US$638.3 million (2014: US$763.9 million) and unutilised tax losses of approximately US$718.2 million (2014: US$800.7 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 profits.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

12. Plant and equipment

	Aircraft US$'000	Aircraft progress payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Group					
Cost:					
At 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 and 1 January 2015	11,354,712	1,089,477	998	8,301	12,453,488
Additions	1,464,504	1,952,823	60	1,025	3,418,412
Disposals	(2,193,081)	(269,697)	–	–	(2,462,778)
Transfers	532,261	(532,261)	–	–	–
Transfer to assets held for sale (Note 19)	(266,972)	–	–	–	(266,972)
Adjustment	138	–	–	–	138
At 31 December 2015	**10,891,562**	**2,240,342**	**1,058**	**9,326**	**13,142,288**
Accumulated depreciation and impairment:					
At 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 on aircraft	23,100	–	–	–	23,100
At 31 December 2014 and 1 January 2015	1,431,319	–	393	6,468	1,438,180
Charge for the year	379,863	–	314	1,774	381,951
Disposals	(394,429)	–	–	–	(394,429)
Impairment on aircraft	43,900	–	–	–	43,900
Transfer to assets held for sale (Note 19)	(44,750)	–	–	–	(44,750)
At 31 December 2015	**1,415,903**	**–**	**707**	**8,242**	**1,424,852**
Net book value:					
At 31 December 2014	9,923,393	1,089,477	605	1,833	11,015,308
At 31 December 2015	**9,475,659**	**2,240,342**	**351**	**1,084**	**11,717,436**

Notes to the
Financial Statements (cont'd)

For the financial year ended 31 December 2015

12. Plant and equipment (cont'd)

	Aircraft US$'000	Aircraft progress payments US$'000	Office renovations US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Company					
Cost:					
At 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 and 1 January 2015	4,949,056	14,325	968	8,231	4,972,580
Additions	1,589,458	122,494	1	933	1,712,886
Disposals	(710,925)	–	–	–	(710,925)
Transfers	18,519	(18,519)	–	–	–
Transfers to subsidiary companies	–	(1,048)	–	–	(1,048)
Transfer to assets held for sale (Note 19)	(80,500)	–	–	–	(80,500)
At 31 December 2015	**5,765,608**	**117,252**	**969**	**9,164**	**5,892,993**
Accumulated depreciation and impairment:					
At 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 and 1 January 2015	492,260	–	381	6,438	499,079
Charge for the year	179,601	–	281	1,714	181,596
Disposals	(95,070)	–	–	–	(95,070)
Impairment on aircraft	7,200	–	–	–	7,200
Transfer to assets held for sale (Note 19)	(9,390)	–	–	–	(9,390)
At 31 December 2015	**574,601**	**–**	**662**	**8,152**	**583,415**
Net book value:					
At 31 December 2014	4,456,796	14,325	587	1,793	4,473,501
At 31 December 2015	**5,191,007**	**117,252**	**307**	**1,012**	**5,309,578**

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

12. Plant and equipment (cont'd)

(a) Impairment of assets

As at 31 December 2015, provision for impairment loss on the Group's and the Company's plant and equipment of US$80.5 million and US$7.2 million (2014: US$57.5 million and US$Nil) respectively was included in accumulated depreciation and impairment.

The impairment loss represents the write-down of the aircraft book value to recoverable amount. 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. For the calculation of value in use, the weighted average discount rate is 2.8% (2014: 3.0%) per annum.

Movement of impairment loss provision:

	Group		Company	
	2015	2014	**2015**	2014
	US$'000	US$'000	**US$'000**	US$'000
Balance at beginning of year	**57,532**	48,932	**–**	1,100
Impairment of aircraft	**43,900**	23,100	**7,200**	–
Disposal of assets	**(20,927)**	(14,500)	**–**	(1,100)
Balance at end of year	**80,505**	57,532	**7,200**	–

(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$100.8 million and US$1,522.9 million (2014: US$104.7 million and US$1,502.3 million) respectively.

These assets are pledged as security for the related finance lease liabilities.

(c) Assets pledged as security

The net book value of aircraft and aircraft held for sale (Note 19) 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 23) 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 33) amounted to US$6,409.7 million (2014: US$7,516.7 million) and US$3,555.4 million (2014: US$3,654.9 million) respectively.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

12. Plant and equipment (cont'd)

(d) Capitalisation of borrowing costs

The borrowing costs capitalised as cost of aircraft amounted to US$8.5 million (2014: $1.4 million). The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.5% (2014: 2.6%) per annum.

13. Lease transaction closing costs

	Group		Company	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000
Cost:				
At beginning of year	**1,129**	2,619	**2,786**	3,197
Additions	**233**	272	**195**	144
Written off to profit or loss upon sale of aircraft	**(59)**	(205)	**–**	(156)
Adjustments	**134**	(740)	**145**	(399)
Fully amortised costs written off	**(387)**	(817)	**(635)**	–
At end of year	**1,050**	1,129	**2,491**	2,786
Accumulated amortisation:				
At beginning of year	**468**	1,254	**1,509**	1,287
Charge for the year	**345**	171	**592**	338
Written off to profit or loss upon sale of aircraft	**(25)**	(140)	**–**	(115)
Adjustments	**–**	–	**–**	(1)
Fully amortised costs written off	**(387)**	(817)	**(635)**	–
At end of year	**401**	468	**1,466**	1,509
Net book value:				
At end of year	**649**	661	**1,025**	1,277

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

14. Derivative financial instruments

	Group and Company					
	2015			2014		
	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)
Interest rate swaps	**21,121**	**–**	**(393)**	93,276	–	(2,054)
Interest rate caps	**294,102**	**–**	**–**	470,205	213	–
		–	**(393)**		213	(5,030)
Non-current:						
Cross-currency interest rate swaps	**1,112,612**	**–**	**(145,287)**	915,427	–	(73,168)
Interest rate swaps	**500,000**	**2,011**	**(929)**	300,000	1,476	–
		2,011	**(146,216)**		1,476	(73,168)
Total		**2,011**	**(146,609)**		1,689	(78,198)

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.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

14. 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 Group 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.

During the year 2015 and 2014, the Group and Company issued US$500 million notes and US$300 million notes, respectively, under its EMTN programme and GMTN program at fixed coupon rate which were swapped to floating rates. As at 31 December 2015 and 2014, the Group has interest rate swap contracts with a total notional amount of US$500 million and US$300 million, respectively, to hedge the interest rate exposure whereby the Group 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$2.0 million and US$1.5 million as at 31 December 2015 and 2014 respectively. The fair value of the derivative liability was US$0.9 million and US$Nil as at 31 December 2015 and 2014 respectively.

(b) Cash flow hedges

There were no cash flow hedges which applied hedge accounting as at 31 December 2015 and 2014.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

15. Trade receivables

Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition and are generally received monthly in advance. Subsequent to each year end, the trade receivables had been received.

The Group's and Company's trade receivables are secured by cash security deposits or letters of credit.

(a) Trade receivables that were past due but not impaired

The Group had trade receivables amounting to US$Nil (2014: US$4.1 million) that were past due at the end of the year but not impaired. The trade receivables as at 31 December 2014 were within the age bracket of 1 to 30 days.

(b) Trade receivables that were impaired

There were no trade receivables that were impaired as at 31 December 2015 and 2014. The movement in the allowance for impairment accounts is as follows:

	Group		Company	
	2015	2014	**2015**	2014
	US$'000	US$'000	**US$'000**	US$'000
At beginning of year	**–**	779	**–**	779
Write-back during the year	**–**	(779)	**–**	(779)
At end of year	**–**	–	**–**	–

Notes to the **Financial Statements** (cont'd)

For the financial year ended 31 December 2015

16. Other receivables

	Group		Company	
	2015	2014	**2015**	2014
	US$'000	US$'000	**US$'000**	US$'000
Deposits	**716**	780	**685**	757
Sundry receivables	**14,423**	1,260	**7,937**	99
Accrued income	**7,674**	9,637	**8,984**	6,617
Amounts due from subsidiary companies	**–**	–	**978**	1,535
	22,813	11,677	**18,584**	9,008

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

Other receivables that were impaired

No other receivables were impaired as at 31 December 2015 and 2014. The movement in the allowance for impairment accounts is as follows:

	Group		Company	
	2015	2014	**2015**	2014
	US$'000	US$'000	**US$'000**	US$'000
At beginning of year	**–**	20	**–**	20
Write-back during the year	**–**	(20)	**–**	(20)
At end of year	**–**	–	**–**	–

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

17. Fixed deposits

		Group		Company	
	Note	**2015**	2014	**2015**	2014
		US$'000	US$'000	**US$'000**	US$'000
Unencumbered	30	**237,415**	212,204	**134,814**	113,948

All fixed deposits are denominated in United States Dollar.

Short term fixed deposits are placed for varying periods between one day and two months (2014: one day and one month) 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 fixed deposits was 0.4% (2014: 0.7%) per annum.

As at 31 December 2015, fixed deposits placed with intermediate holding company amounted to US$23.2 million (2014: US$101.5 million) for the Group and US$10.0 million (2014: US$76.5 million) for the Company. Fixed deposits placed with other related party amounted to US$89.2 million (2014: US$Nil) for the Group and US$82.9 million (2014: US$Nil) for the Company.

18. Cash and bank balances

		Group		Company	
	Note	**2015**	2014	**2015**	2014
		US$'000	US$'000	**US$'000**	US$'000
Encumbered	22	**135,439**	135,260	**50,450**	97,936
Unencumbered	30	**133,978**	19,940	**65,706**	7,678
		269,417	155,200	**116,156**	105,614

The Group's and the Company's encumbered cash and bank balances 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$111.5 million (2014: US$4.5 million) and US$62.2 million (2014: US$3.1 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 rate of 0.02% (2014: 0.01%) per annum.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

18. Cash and bank balances (cont'd)

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

	Group		Company	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000
Australian Dollar	**156**	236	**–**	–
Euro	**801**	733	**396**	441
Japanese Yen	**75**	101	**–**	–
Malaysian Ringgit	**84**	–	**–**	–
Chinese Yuan	**14**	–	**–**	–
Sterling Pounds	**582**	623	**–**	–
Singapore Dollar	**516**	2,500	**516**	2,500
	2,228	4,193	**912**	2,941

19. Assets held for sale and liabilities associated with assets held for sale

As at 31 December 2015, the Group's and Company's aircraft which met the criteria to be classified as assets held for sale and the associated liabilities were as follows:

		Group		Company	
	Note	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000
Assets held for sale					
Property, plant and equipment – aircraft	12	**222,222**	–	**71,110**	–
Liabilities associated with assets held for sale					
Loans and borrowings	22	**26,856**	–	**26,856**	–
Maintenance reserves payable		**9,443**	–	**9,443**	–
		36,299	–	**36,299**	–

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

20. Trade and other payables

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

	Group		Company	
	2015	2014	**2015**	2014
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**4,572**	1,228	**66**	51
Sundry payables	**2,187**	2,629	**1,201**	1,480
Accrued interest expenses	**35,246**	29,486	**28,784**	22,465
Maintenance reserves payable	**22,306**	2,491	**5,671**	541
Accrued technical expenses	**560**	528	**454**	456
Other accruals and liabilities	**41,233**	31,630	**42,759**	30,000
	106,104	67,992	**78,935**	54,993

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

21. Deferred Income

Deferred income (current) relates to advance receipts for lease and other income for which services have not yet been rendered.

Deferred income (non-current) relates to the difference between the nominal value of the security deposits (Note 24) and its fair value. The deferred income is charged to profit or loss on a straight-line basis over the lease term.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

22. Loans and borrowings

	Note	Group 2015 US$'000	Group 2014 US$'000	Company 2015 US$'000	Company 2014 US$'000
Current:					
Medium Term Notes		**–**	59,971	**–**	59,971
Fair value adjustments		**–**	(2,976)	**–**	(2,976)
		–	56,995	**–**	56,995
USD bank loans		**1,001,499**	844,994	**625,599**	393,789
Deferred debt issue costs		**(11,352)**	(12,671)	**(1,630)**	(1,920)
		990,147	889,318	**623,969**	448,864
Non-current:					
Medium Term Notes		**3,212,612**	2,265,427	**3,212,612**	2,265,427
Medium Term Notes discount (net of premium)		**(5,823)**	(3,268)	**(5,823)**	(3,268)
Fair value adjustments		**(144,206)**	(71,692)	**(144,206)**	(71,692)
		3,062,583	2,190,467	**3,062,583**	2,190,467
USD bank loans		**4,665,246**	5,163,865	**1,589,436**	1,763,033
Deferred debt issue costs		**(79,298)**	(82,031)	**(15,649)**	(12,446)
		7,648,531	7,272,301	**4,636,370**	3,941,054
Total loans and borrowings		**8,638,678**	8,161,619	**5,260,339**	4,389,918
Statement of financial position:					
Loans and borrowings (current)		**963,291**	889,318	**597,113**	448,864
Loans and borrowings (non-current)		**7,648,531**	7,272,301	**4,636,370**	3,941,054
Liabilities associated with assets held for sale	19	**26,856**	–	**26,856**	–
		8,638,678	8,161,619	**5,260,339**	4,389,918

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

22. Loans and borrowings (cont'd)

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

	Group		Company	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000
Cost:				
At beginning of year	**140,227**	141,808	**22,076**	19,513
Additions	**16,150**	9,645	**8,276**	5,787
Written off to profit or loss upon sale of aircraft	**(5,679)**	(3,837)	**(484)**	(813)
Fully amortised costs written off	**(7,906)**	(7,002)	**(2,870)**	(1,859)
Adjustments	**31**	(387)	**(21)**	(552)
At end of year	**142,823**	140,227	**26,977**	22,076
Accumulated amortisation:				
At beginning of year	**45,525**	40,746	**7,710**	6,997
Charge for the year (Note 8)	**18,060**	14,491	**5,214**	3,105
Written off to profit or loss upon sale of aircraft	**(3,506)**	(2,710)	**(356)**	(533)
Fully amortised costs written off	**(7,906)**	(7,002)	**(2,870)**	(1,859)
At end of year	**52,173**	45,525	**9,698**	7,710
Net book value:				
At end of year	**90,650**	94,702	**17,279**	14,366
Deferred debt issue costs, net	**90,650**	94,702	**17,279**	14,366
Less: Current portion	**(11,352)**	(12,671)	**(1,630)**	(1,920)
Non-current portion	**79,298**	82,031	**15,649**	12,446

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

22. Loans and borrowings (cont'd)

The table below summarises the maturity profile of the gross loans and borrowings before adjustments for debt issue costs, fair values and discounts/premiums to medium term notes at the end of each year for the Group and Company.

	One year or less US$'000	One to two years US$'000	Two to five years US$'000	Over five years US$'000	Total US$'000
Group					
2015					
Bank loans	1,001,499	498,343	2,838,133	1,328,770	5,666,745
Medium term notes	–	500,000	1,769,845	942,767	3,212,612
Total gross loans and borrowings	**1,001,499**	**998,343**	**4,607,978**	**2,271,537**	**8,879,357**
2014					
Bank loans	844,994	915,368	2,588,257	1,660,240	6,008,859
Medium term notes	59,971	–	1,292,225	973,202	2,325,398
Total gross loans and borrowings	904,965	915,368	3,880,482	2,633,442	8,334,257

	One year or less US$'000	One to two years US$'000	Two to five years US$'000	Over five years US$'000	Total US$'000
Company					
2015					
Bank loans	625,599	115,092	942,554	531,790	2,215,035
Medium term notes	–	500,000	1,769,845	942,767	3,212,612
Total gross loans and borrowings	**625,599**	**615,092**	**2,712,399**	**1,474,557**	**5,427,647**
2014					
Bank loans	393,789	423,212	888,068	451,753	2,156,822
Medium term notes	59,971	–	1,292,225	973,202	2,325,398
Total gross loans and borrowings	453,760	423,212	2,180,293	1,424,955	4,482,220

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

22. Loans and borrowings (cont'd)

Total loans and borrowings included secured liabilities of US$4,656.7 million (2014: US$5,744.0 million) and US$1,775.0 million (2014: US$1,912.0 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 18) and/or a pledge of the shares in certain subsidiary companies (Note 33) 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 effective interest rate was 1.5% (2014: 1.5%) 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 2016 and 2026 (2014: 2015 and 2026).

As at 31 December 2015, the Group's bank loans due to intermediate holding company amounted to US$442.5 million (2014: US$495.4 million). The intermediate holding company granted two US$1 billion committed revolving credit facilities to the Group which have been aggregated into a single US$2 billion committed revolving credit facility in 2015 and extended to 28 April 2022. There were no outstanding drawings under these committed revolving credit facilities as at 31 December 2014 and 2015. Included in the Group's bank loans was an amount of US$574.1 million (2014: US$476.5 million) due to related parties at the end of the financial year.

As at 31 December 2015, the Company's bank loans due to the intermediate holding company amounted to US$346.0 million (2014: US$367.9 million) and due to related parties amounted to US$348.8 million (2014: US$353.2 million).

As at 31 December 2015, the Group and Company had unutilised unsecured committed revolving credit facilities of US$2,510 million (2014: US$2,250 million) and US$2,380 million (2014: US$2,220 million) respectively. The Group and Company had committed long term credit facilities pending the provision of new replacement aircraft as collateral of US$165.8 million (2014: US$181.2 million) and US$29.0 million (2014: US$121.5 million), respectively. The Group and Company had signed documentation in place for two unsecured term loans totalling US$525 million (2014: US$Nil) and US$25 million (2014: US$Nil), respectively, as at 31 December 2015, each of which were undrawn as of that date.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

22. Loans and borrowings (cont'd)

(b) Medium Term Notes

The Group 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 had fully repaid its last series outstanding notes of US$64 million in April 2014.

The Group has 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 April 2014. The EMTN Programme was converted to a US$5 billion Global Medium Term Note Program ("GMTN Program") on 16 March 2015.

Outstanding notes denominated in various currencies issued were:

			Group and Company As at 31 December 2015		
Currency	Fixed Coupon Rate (p.a.)	Maturity (Year)	Outstanding amounts US$'000	Amounts swapped to USD and floating rates US$'000	Amounts swapped to USD and fixed rates US$'000
Australian Dollar	5.375%	2020 to 2021	**373,493**	**373,493**	**–**
Chinese Yuan	4.2% to 5.5%	2018 to 2024	**630,236**	**590,236**	**40,000**
Singapore Dollar	3.93%	2025	**108,883**	**–**	**108,883**
United States Dollar	2.875% to 4.375%	2017 to 2023	**2,100,000**	**500,000**	**–**
			3,212,612	**1,463,729**	**148,883**

			Group and Company As at 31 December 2014	
Currency	Fixed Coupon Rate (p.a.)	Maturity (Year)	Outstanding amounts US$'000	Amounts swapped to USD and floating rates US$'000
Australian Dollar	5.375%	2020 to 2021	373,493	373,493
Chinese Yuan	4.2% to 5.5%	2018 to 2024	541,934	541,934
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

As at 31 December 2015, US$1,463.7 million (2014: US$1,275.4 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 liabilities designated as at fair value through profit or loss and classified under Level 2 of the fair value hierarchy, except for the fixed rate notes amounting to US$1,748.9 million (2014: US$1,050.0 million) as at 31 December 2015. The floating interest rate ranged from 1.7% to 2.9% (2014: 1.7% to 2.7%) per annum during the year.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

23. Finance lease payables

	Note	Group and Company 2015 US$'000	Group and Company 2014 US$'000
Current:			
Finance lease payables		**9,217**	8,845
Deferred debt issue costs		**(69)**	(69)
Finance lease payables, net		**9,148**	8,776
Non-current:			
Finance lease payables		**67,903**	77,119
Deferred debt issue costs		**(248)**	(317)
Finance lease payables, net		**67,655**	76,802
Total finance lease payables, net		**76,803**	85,578
Finance lease payables	36(c)(i)	**77,120**	85,964
Less: Current portion		**(9,217)**	(8,845)
Non-current portion		**67,903**	77,119

The finance lease payables are secured by a charge over leased assets (Note 12). Interest on the leases ranged from 0.8% to 2.6% (2014: 0.7% to 2.4%) per annum.

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

	Note	Group and Company 2015 US$'000	Group and Company 2014 US$'000
Cost:			
At beginning of year		**504**	191
Adjustments		**–**	313
At end of year		**504**	504
Accumulated amortisation:			
At beginning of year		**118**	63
Charge for the year	8	**69**	55
At end of year		**187**	118
Net book value:			
At end of year		**317**	386
Deferred debt issue costs, net		**317**	386
Less: Current portion		**(69)**	(69)
Non-current portion		**248**	317

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

23. Finance lease payables (cont'd)

The table below summarises the maturity profile of the gross finance lease payable before adjustments for debt issue costs at the end of each year for the Group and Company.

	One year or less US$'000	One to two years US$'000	Two to five years US$'000	Over five years US$'000	Total US$'000
Group					
2015	**9,217**	**9,606**	**38,188**	**20,109**	**77,120**
2014	8,845	9,217	45,415	22,487	85,964

	One year or less US$'000	One to two years US$'000	Two to five years US$'000	Over five years US$'000	Total US$'000
Company					
2015	**9,217**	**9,606**	**38,188**	**20,109**	**77,120**
2014	8,845	9,217	45,415	22,487	85,964

24. Security deposits

In addition to the cash security deposits recorded on the statement of financial position, the security deposits received by the Group and the Company in the form of irrevocable letters of credit amounted to US$118.0 million (2014: US$98.7 million) and US$45.5 million (2014: US$33.5 million) respectively.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

25. Other non-current liabilities

Included in other non-current liabilities are non-current portion of bonuses payable and provided for under the staff incentive plans. These bonuses are payable over a 3-year period from the second year after the end of each year.

26. Maintenance reserves

		Group		Company	
	Note	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000
At beginning of year		**383,940**	335,456	**115,718**	122,515
Contributions		**171,478**	184,477	**81,328**	65,079
Utilisation		**(26,818)**	(13,344)	**(7,658)**	(7,616)
Transfer to buyers		**(29,403)**	(86,124)	**(12,193)**	(41,514)
Release to profit or loss for excess written off		**(1,274)**	(634)	**–**	(634)
Release to profit or loss upon sale of aircraft	6	**(65,026)**	(35,891)	**(34,786)**	(22,112)
At end of year		**432,897**	383,940	**142,409**	115,718

Irrevocable letters of credit received by the Group and the Company from lessees to cover their maintenance reserves (or equivalent) obligations amounted to US$117.5 million (2014: US$90.2 million) and US$25.5 million (2014: US$24.0 million) respectively.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

27. Deferred income tax liabilities

Deferred income tax liabilities at the end of each year relate to the following:

	Group		Company	
	2015	2014	**2015**	2014
	US$'000	US$'000	**US$'000**	US$'000
Gross deferred tax liabilities	**470,819**	454,507	**91,810**	77,857
Gross deferred tax assets	**(193,809)**	(234,554)	**(38,916)**	(45,722)
Net deferred tax liabilities	**277,010**	219,953	**52,894**	32,135

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

Movements in the Group's and Company's deferred tax liabilities and assets during the year are as follows:

	Differences in depreciation US$'000	**Unremitted overseas income US$'000**	**Others US$'000**	**Total US$'000**
Group				
Deferred tax liabilities arising from:				
At 1 January 2014	420,809	4,570	269	425,648
Charged/(Credited) to profit or loss	31,109	(2,045)	(205)	28,859
At 31 December 2014 and 1 January 2015	451,918	2,525	64	454,507
Charged to profit or loss	6,744	8,918	650	16,312
At 31 December 2015	**458,662**	**11,443**	**714**	**470,819**

	Unabsorbed capital allowances and unutilised tax losses US$'000	**Provisions US$'000**	**Others US$'000**	**Total US$'000**
Group				
Deferred tax assets arising from:				
At 1 January 2014	(242,303)	(3,792)	(4,185)	(250,280)
Charged to profit or loss	14,108	1,355	263	15,726
At 31 December 2014 and 1 January 2015	(228,195)	(2,437)	(3,922)	(234,554)
Charged/(Credited) to profit or loss	41,974	(1,975)	746	40,745
At 31 December 2015	**(186,221)**	**(4,412)**	**(3,176)**	**(193,809)**

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

27. Deferred income tax liabilities (cont'd)

	Differences in depreciation US$'000	Unremitted overseas income US$'000	Others US$'000	Total US$'000
Company				
Deferred tax liabilities arising from:				
At 1 January 2014	72,335	4,570	269	77,174
Charged/(Credited) to profit or loss	2,933	(2,045)	(205)	683
At 31 December 2014 and 1 January 2015	75,268	2,525	64	77,857
Charged to profit or loss	4,385	8,918	650	13,953
At 31 December 2015	**79,653**	**11,443**	**714**	**91,810**

	Unabsorbed capital allowances and unutilised tax losses US$'000	Provisions US$'000	Others US$'000	Total US$'000
Company				
Deferred tax assets arising from:				
At 1 January 2014	(48,606)	(3,158)	(26)	(51,790)
Charged/(Credited) to profit or loss	5,026	1,186	(144)	6,068
At 31 December 2014 and 1 January 2015	(43,580)	(1,972)	(170)	(45,722)
Charged/(Credited) to profit or loss	7,727	(955)	34	6,806
At 31 December 2015	**(35,853)**	**(2,927)**	**(136)**	**(38,916)**

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.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

28. Share capital

	Group and Company			
	2015		2014	
	No. of shares '000	**US$'000**	No. of shares '000	US$'000
Issued and fully paid ordinary shares				
At 1 January/31 December	**589,909**	**607,601**	589,909	607,601

The holders of ordinary shares are 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.

29. 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	
	2015 US$'000	2014 US$'000
At beginning of year	**–**	(205)
Net change in the reserve	**–**	205
At end of year	**–**	–

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

30. Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Note	Group 2015 US$'000	Group 2014 US$'000
Fixed deposits	17	**237,415**	212,204
Cash and bank balances	18	**133,978**	19,940
		371,393	232,144

31. Finance lease payables to subsidiary companies

	Note	Company 2015 US$'000	Company 2014 US$'000
Current:			
Finance lease payables		**105,683**	125,415
Deferred debt issue costs		**(4,871)**	(4,883)
Finance lease payables, net		**100,812**	120,532
Non-current:			
Finance lease payables		**795,903**	919,334
Deferred debt issue costs		**(33,452)**	(38,406)
Finance lease payables, net		**762,451**	880,928
Total finance lease payables, net		**863,263**	1,001,460
The scheduled repayment of the finance lease payables is as follows:			
Finance lease payables	36(c)(i)	**901,586**	1,044,749
Less: Current portion		**(105,683)**	(125,415)
Non-current portion		**795,903**	919,334

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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

The finance lease payables to subsidiary companies of US$901.6 million (2014: US$1,044.7 million) are secured by a charge over leased assets (Note 12). Interest on the leases ranged from 0.5% to 1.9% (2014: 0.4% to 1.5%) per annum.

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

	Company	
	2015	2014
	US$'000	US$'000
Cost:		
At beginning of year	**57,861**	57,890
Additions	**–**	–
Fully amortised cost written off	**(1,109)**	–
Transfers	**962**	–
Adjustments	**–**	(29)
At end of year	**57,714**	57,861
Accumulated amortisation:		
At beginning of year	**14,572**	9,690
Charge for the year	**5,547**	4,882
Fully amortised cost written off	**(1,109)**	–
Transfers	**381**	–
At end of year	**19,391**	14,572
Net book value:		
At end of year	**38,323**	43,289
Deferred debt issue costs, net	**38,323**	43,289
Less: Current portion	**(4,871)**	(4,883)
Non-current portion	**33,452**	38,406

The table below summarises the maturity profile of the finance lease payable to subsidiary companies at the end of each year.

	One year or less US$'000	One to two years US$'000	Two to five years US$'000	Over five years US$'000	Total US$'000
2015	**105,683**	**108,631**	**344,295**	**342,977**	**901,586**
2014	125,415	124,069	334,651	460,614	1,044,749

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

32. Amounts due from subsidiary companies

The amounts due from subsidiary companies including interest bearing 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 subsidiary companies permit. 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 2015, a provision for impairment of US$4.8 million (2014: US$4.8 million) was made for loans due from certain subsidiary companies.

33. Investments in subsidiary companies

	Company	
	2015	2014
	US$'000	US$'000
Equity investments at cost:		
At beginning of year	**695,630**	697,176
Additions	**19,800**	2,001
Disposals	**(1)**	(3,547)
Capital reduction	**(11,500)**	–
Impairment	**(17,500)**	–
At end of year	**686,429**	695,630
Movement in provision for impairment of investments in subsidiary companies:		
At beginning of year	**–**	3,956
Charge for the year	**17,500**	–
Written off during the year	**–**	(3,956)
At end of year	**17,500**	–

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

33. Investments 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 2015 %	2014 %
[1]	BOC Aviation (Ireland) Limited	Ireland	Leasing of aircraft	**100**	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]	Emerald One Limited	Cayman Islands	Dissolved	**–**	100
[2]	Emerald Two Limited	Cayman Islands	Dissolved	**–**	100
[1]	BOC Aviation (USA) Corporation	United States	Leasing of aircraft	**100**	100
[2]	Solitaire Capital Limited	Singapore	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]	Emerald Three Limited	Cayman Islands	Dormant	**100**	100
[2]	Emerald Four Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	Nimue Leasing Limited	Cayman Islands	Dissolved	**–**	100
[2]	BOC Aviation (Cayman) Limited	Cayman Islands	Acquisition of aircraft	**100**	100
[2]	SALE Cayman (35073) Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	SALE Cayman (VLE2) Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	SALE Cayman (35075) Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2]	SALE Cayman (35076) Limited	Cayman Islands	Dormant	**100**	100
[2]	SALE Cayman (35077) Limited	Cayman Islands	Dormant	**100**	100

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

33. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Percentage of equity held by the Company 2015 %	2014 %
[2,6]	Acme Leasing One Limited	Cayman Islands	Dormant	**100**	100
[2]	Acme Leasing Two Limited	Cayman Islands	Dormant	**100**	100
[2,3]	Acme Leasing Three Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2,3]	Echo Leasing One Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2,3]	Echo Leasing Two Limited	Cayman Islands	Leasing of aircraft	**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	Dormant	**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]	Vanda Leasing Two Limited	Cayman Islands	Dormant	**100**	100
[2,5]	Vanda Leasing Three Limited	Cayman Islands	Disposed	**–**	100
[2]	Vanda Leasing Four Limited	Cayman Islands	Dormant	**100**	100
[2]	Vanda Leasing Five Limited	Cayman Islands	Dormant	**100**	100
[2,3]	Vanda Leasing Six Limited	Cayman Islands	Dormant	**100**	100
[2,3]	Vanda Leasing Seven Limited	Cayman Islands	Leasing of aircraft	**100**	100
[2,3]	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**	100
[1]	BOC Aviation Leasing (Tianjin) Limited	People's Republic of China	Leasing of aircraft	**100**	100
[2]	MSN 2441 Leasing Limited	Cayman Islands	Dormant	**100**	–

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

33. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Percentage of equity held by the Company 2015 %	2014 %
	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 the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the investee.

Notes to the
Financial Statements (cont'd)

For the financial year ended 31 December 2015

33. Investments in subsidiary companies (cont'd)

	Name	Country of incorporation	Principal activities	Percentage of equity held by the Company 2015 %	2014 %
	Held by BOC Aviation (Ireland) Limited:				
2	BOC Aviation (France) SARL	France	Leasing of aircraft	**100**	100
2	BOC Aviation (France) 2 SARL	France	Dormant	**100**	100
2	BOC Aviation (France) 3 SARL	France	Disposed	**–**	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	Disposed	**–**	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**	100
	Held by BOC Aviation (USA) Corporation:				
2	BOC Aviation (Aruba) A.V.V.	Aruba	Leasing of aircraft	**100**	100

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

33. Investments 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 23).

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

[5] During the year ended 31 December 2015, the Group disposed its entire interest in Vanda Leasing Three 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 statement of profit or loss. There was no net gain recognised on the disposal of this subsidiary company.

[6] Subsequent to the 31 December 2015, the Company disposed its entire interest in Acme Leasing One Limited.

34. Dividends

For the year ended 31 December 2015, the Company did not declare any dividend to its sole shareholder. For the year ended 31 December 2014, the Company declared and paid a dividend of US$139 million to its sole shareholder. Dividends per share amounted to US$Nil for the year ended 31 December 2015 (2014: US$0.24).

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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	
	2015	2014
	US$'000	US$'000
Income and expense		
(a) Intermediate holding company:		
Interest income	**830**	1,541
Interest expense	**(8,727)**	(9,122)
(b) Other related parties:		
Lease rental income	**23,624**	20,878
Interest expense	**(7,074)**	(10,753)

	Group	
	2015	2014
	US$'000	US$'000
Directors' and key executives' remuneration paid during the year		
(a) Directors of the Company:		
Salary, fees, bonuses and other costs	**9,072**	7,332
CPF and other defined contributions	**38**	–
	9,110	7,332
(b) Key executives (excluding executive directors)		
Salary, bonuses and other costs	**10,820**	6,544
CPF and other defined contributions	**223**	158
	11,043	6,702

As at 31 December 2015, US$16.0 million (2014: US$18.2 million) of deferred bonuses were payable to directors of the Company and key executives of the Group.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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.

Future net minimum lease receivables under the non-cancellable operating leases as at the end of each year for existing aircraft are as follows:

	Group		Company	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000
Within one year	**994,684**	959,757	**528,029**	423,893
After one year but not more than five years	**3,536,017**	3,416,607	**1,954,180**	1,545,044
After five years	**2,820,281**	2,761,994	**1,854,917**	1,356,142
	7,350,982	7,138,358	**4,337,126**	3,325,079

Future net minimum lease receivables committed as at the end of each year for aircraft yet to be delivered are as follows:

	Group		Company	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000
Within one year	**83,453**	55,646	**58,310**	35,569
After one year but not more than five years	**1,101,553**	1,002,921	**687,596**	511,219
After five years	**1,833,578**	1,835,795	**1,058,470**	905,268
	3,018,584	2,894,362	**1,804,376**	1,452,056

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

36. Commitments (cont'd)

(a) Operating lease commitments (cont'd)

(ii) Operating lease commitments - As lessee

Offices

The Company leases office space 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	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000
Within one year	**1,621**	2,029	**1,393**	1,878
After one year but not more than five years	**187**	1,502	**–**	1,502
	1,808	3,531	**1,393**	3,380

(b) Capital expenditure commitments

As at 31 December 2015, the Group has committed to purchase various aircraft delivering between 2016 and 2021. The amount of future commitments under purchase agreements including assumed escalation to delivery, as at 31 December 2015, is approximately US$9,580.8 million (2014: US$9,850.0 million).

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

36. Commitments (cont'd)

(c) Finance lease commitments

(i) Finance lease commitments - As lessee

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

	Note	Minimum lease payments 2015 US$'000	Present value of payments 2015 US$'000	Minimum lease payments 2014 US$'000	Present value of payments 2014 US$'000
Group and Company					
Finance lease with third parties:					
Not later than one year		**11,069**	**9,217**	11,041	8,845
Later than one year but not later than five years		**51,872**	**47,794**	60,195	54,632
Later than five years		**20,947**	**20,109**	24,033	22,487
Total minimum lease payments		**83,888**	**77,120**	95,269	85,964
Less: Amounts representing finance charges		**(6,768)**	**–**	(9,305)	–
	23	**77,120**	**77,120**	85,964	85,964
Company					
Finance lease with its subsidiary companies:					
Not later than one year		**130,043**	**105,683**	154,939	125,415
Later than one year but not later than five years		**519,744**	**452,926**	542,485	458,720
Later than five years		**361,554**	**342,977**	492,801	460,614
Total minimum lease payments		**1,011,341**	**901,586**	1,190,225	1,044,749
Less: Amounts representing finance charges		**(109,755)**	**–**	(145,476)	–
	31	**901,586**	**901,586**	1,044,749	1,044,749

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

36. Commitments (cont'd)

(c) Finance lease commitments (cont'd)

(ii) Finance lease commitments - As lessor

	Minimum lease payments 2015 US$'000	**Present value of payments 2015 US$'000**	Minimum lease payments 2014 US$'000	Present value of payments 2014 US$'000
Company				
Finance lease with its subsidiary company:				
Not later than one year	**23,684**	**21,943**	8,314	6,052
Later than one year but not later than five years	**52,596**	**49,059**	76,560	71,002
Total minimum lease payments	**76,280**	**71,002**	84,874	77,054
Less: Amounts representing finance charges	**(5,278)**	**–**	(7,820)	–
	71,002	**71,002**	77,054	77,054

The scheduled receivables of the finance lease are as follows:

	2015 US$'000	2014 US$'000
Finance lease receivables	**71,002**	77,054
Less: Current portion	**(21,943)**	(6,052)
Non-current portion	**49,059**	71,002

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 obligations under certain lease agreements entered into by the subsidiary companies. As at 31 December 2015, the corporate guarantees for loans to subsidiary companies amounted to approximately US$3,451.7 million (2014: US$3,852.0 million).

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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 statement of financial position or in the notes to the financial statements.

Loans and receivables comprise amounts due from subsidiary companies (Note 32), finance lease receivables (Note 36), trade receivables (Note 15), other receivables (Note 16), fixed deposits and cash and bank balances (Note 17 and Note 18).

As at 31 December 2015, the loans and receivables for the Group and Company were US$530.0 million (2014: US$383.9 million) and US$2,302.9 million (2014: US$2,157.0 million) respectively.

Financial liabilities measured at amortised cost comprise trade and other payables (Note 20), loans and borrowings (except as disclosed in Note 22), finance lease payables to subsidiary companies (Note 31), liabilities associated with assets held for sale (Note 19) and finance lease payables (Note 23).

As at 31 December 2015, the financial liabilities measured at amortised cost for the Group and Company were US$7,499.1 million (2014: US$7,114.5 million) and US$4,956.8 million (2014: US$4,331.2 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 14).

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 (that is, as prices) or indirectly (that is, 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

Management has determined that except for derivative financial instruments, the carrying amounts of its current financial assets and liabilities, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Non-current loans and borrowings reasonably approximate their fair values as they are floating rate instruments that are re-priced to market interest rates on or near the end of each year for the respective financial year.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

38. Classification of financial instruments and their fair values (cont'd)

(d) Financial instruments carried at other than fair values

Set out below is a comparison of carrying amounts and fair values of all of the Group's and Company's financial instruments that are carried in the financial statements at other than fair values:

	Group and Company	
	2015	**2014**
	US$'000	**US$'000**
Medium term notes		
Carrying amounts	**1,744,971**	1,049,153
Fair values	**1,744,396**	1,050,155

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 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 financial instruments will fluctuate because of changes in market interest rates. The Group'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 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 at 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 (2014: less than 12 months) from the end of each year.

The Group's policy is to hedge at least 50% of its mismatched interest rate exposure through appropriate interest rate financial derivative instruments and borrowing fixed rate debts. At the end of each year, the Group has hedged approximately 60% (2014: 54%) of the Group's mismatched interest rate exposure.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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 end of each year:

- Changes in interest rates affect the interest income or finance expenses of variable interest financial instruments which include deposits and floating rate loans.
- Changes in interest rates affect the fair values of derivative financial instruments.
- 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 end of each year.

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 or decrease in interest rate of 10 basis points (2014: 10 basis points) 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 US$'000	Effect on hedging reserve in equity US$'000
2015			
Increase in interest rate	**+10**	**(1,668)**	–
Decrease in interest rate	**-10**	**1,690**	–
2014			
Increase in interest rate	+10	(730)	–
Decrease in interest rate	-10	1,198	–

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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

(b) Liquidity risk

Liquidity risk is the risk that the Group 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 repayment spread over substantial periods of up to 12 years, and also to have available committed credit facilities from banks.

As at 31 December 2015, the Group had unutilised unsecured committed revolving credit facilities of US$2,510 million (2014: US$2,250 million) and committed long term credit facilities pending the provision of new replacement aircraft as collateral of US$165.8 million (2014: US$181.2 million).

The Group had also signed documentation in place for two unsecured term loan financing totalling US$525.0 million (2014: US$Nil) which were undrawn as of that date.

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

As at 31 December 2015, approximately 11% (2014: 11%) of the Group's gross debt, comprising loans and borrowings and finance lease payables, would have matured 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 year based on contractual undiscounted repayment obligations.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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				
2015				
Financial liabilities:				
Trade and other payables	106,104	–	–	106,104
Loans and borrowings	974,643	5,606,321	2,271,537	8,852,501
Estimated interest payments	206,713	586,584	145,325	938,622
Finance lease payables	9,217	47,794	20,109	77,120
Security deposits	36,970	46,916	153,688	237,574
Estimated net swap payments	495	–	–	495
Liabilities associated with assets held for sale	36,299	–	–	36,299
Other non-current liabilities	–	42,955	–	42,955
Total undiscounted financial liabilities	**1,370,441**	**6,330,570**	**2,590,659**	**10,291,670**

	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 and other payables	67,992	–	–	67,992
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	1,178,459	5,460,034	2,893,945	9,532,438

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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				
2015				
Financial liabilities:				
Trade and other payables	78,935	–	–	78,935
Loans and borrowings	598,743	3,327,491	1,474,557	5,400,791
Estimated interest payments	145,192	426,583	117,572	689,347
Finance lease payables to subsidiary companies	105,683	452,926	342,977	901,586
Finance lease payables	9,217	47,794	20,109	77,120
Security deposits	14,975	25,771	114,521	155,267
Estimated net swap payments	495	–	–	495
Liabilities associated with assets held for sale	36,299	–	–	36,299
Other non-current liabilities	–	34,779	–	34,779
Total undiscounted financial liabilities	**989,539**	**4,315,344**	**2,069,736**	**7,374,619**

	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 and other payables	54,993	–	–	54,993
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	760,611	3,548,286	2,080,714	6,389,611

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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 in many cases 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 repossession, 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 transactions 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 end of each financial year, the Group's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the statement of financial position, including derivatives with positive fair values; and
- corporate guarantees provided by the Group to the banks on bank loans taken up by subsidiary companies, and also in certain lease agreements entered into by subsidiary companies.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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 end of each year is as follows:

	2015		2014	
	US$'000	**%**	US$'000	%
By region:				
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**–**	**–**	53	1.1
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**–**	**–**	38	0.8
Americas	**–**	**–**	27	0.6
Europe	**400**	**100.0**	4,665	97.5
	400	**100.0**	4,783	100.0

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

Trade and other receivables that were 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 15 and 16.

(d) Foreign currency risk

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

All 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, Chinese Yuan or Singapore Dollar borrowings. The Group primarily utilises cross-currency interest rate swap contracts to hedge its Australian Dollar, Chinese Yuan and 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.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

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 dividends 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 2015 and 31 December 2014.

The Group monitors capital using a gearing, which is gross debt divided by total equity. The Group ensures that it operates within the gearing covenant in the loan facilities. Gross debts comprise the Group's loans and borrowings and finance lease payables before adjustments for debt issue costs, fair values and discounts/premiums to medium term notes. Total equity refers to the equity attributable to the equity holder of the Company.

	Group	
	2015	2014
	US$'000	US$'000
Gross debt	**8,956,477**	8,420,221
Total equity	**2,439,718**	2,096,411
Gearing (times)	**3.67**	4.02

41. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holder of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing profit for the year attributable to ordinary equity holder of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2015

41. Basic and diluted earnings per share (cont'd)

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share.

	Note	Group 2015 US$'000	Group 2014 US$'000
Earnings			
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to equity holder of the Company)		**343,307**	308,574

	Note	2015 '000	2014 '000
Number of shares			
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	30	**589,909**	589,909
Basic and diluted earnings per share (US$)		**0.58**	0.52

42. Segmental analysis

All revenues are derived from the Group's principal activities and business segment of leasing and management of aircraft leases and other related activities. Revenue and assets are analysed by geographical region (by country of origin) as follows:

(a) Lease rental income

Lease rental income is derived from leasing of aircraft to various operators around the world. The distribution of lease rental income by operator's geographic region based on each airline's principal place of business is as follows:

	2015		2014	
	US$'000	**%**	US$'000	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**323,979**	**33.2**	292,190	31.2
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**163,098**	**16.7**	116,507	12.5
Americas	**189,981**	**19.5**	212,957	22.7
Europe	**233,214**	**23.9**	243,719	26.0
Middle East & Africa	**65,213**	**6.7**	71,543	7.6
	975,485	**100.0**	936,916	100.0

Notes to the
Financial Statements (cont'd)

For the financial year ended 31 December 2015

42. Segmental analysis (cont'd)

(a) Lease rental income (cont'd)

Other than the lease rental income attributable to Spain which accounted for 10.4% of the total lease rental income in 2014, there was no other country concentration in excess of 10% of the total lease rental income.

Other than one major customer (operators under common control) which accounted for 10.7% of the total lease rental income in 2014, there was no other customer concentration in excess of 10% of the total lease rental income.

(b) Net book value of aircraft

The distribution of net book value of the aircraft by operator's geographic region based on each airline's principal place of business is as follows:

	2015		2014	
	US$'000	**%**	US$'000	%
Asia Pacific (excludes Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan)	**3,307,446**	**34.9**	3,336,209	33.6
Chinese Mainland, Hong Kong SAR, Macau SAR and Taiwan	**1,816,589**	**19.2**	1,486,917	15.0
Americas	**1,591,160**	**16.8**	1,997,051	20.1
Europe	**2,154,034**	**22.7**	2,521,920	25.4
Middle East & Africa	**606,430**	**6.4**	581,296	5.9
	9,475,659	**100.0**	9,923,393	100.0

Other than the net book value of aircraft leased to operators in Spain which accounted for 10.2% of the total net book value as at 31 December 2014, there was no other country concentration in excess of 10% of total net book value.

43. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 3 March 2016.

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