

PASSION FOR INNOVATION

BOC AVIATION ANNUAL REPORT 2013



CHAIRMAN'S MESSAGE



BOC Aviation: Asia's Leading Aircraft Leasing Company

In 2013, BOC Aviation completed its seventh year under Bank of China's ownership and celebrated its 20th year. I am pleased to announce a new record net profit after tax of US\$277 million, 23 percent higher than the previous year, and thus 20 years of unbroken profitability.

Since the acquisition in 2006, BOC Aviation has achieved cumulative net profit after tax of US\$1.2 billion for Bank of China, of which US\$113 million was paid as a dividend for the first time last year. BOC Aviation's fleet as at end of 2013 comprised 226 aircraft, compared with 77 at the end of 2006. Total assets have grown to US\$10.2 billion from US\$3.1 billion at the time of acquisition. Today, BOC Aviation is the leading aircraft leasing company based in Asia, and the fourth largest globally based on owned assets.

BOC Aviation continued to make strides in 2013 in a strategic objective of diversifying the funding base by capitalizing on its investment grade credit ratings from Fitch Ratings (A-) and Standard & Poor's (BBB) by raising benchmark 10-year dollar

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Total assets have grown to US\$10.2 billion from US\$3.1 billion at the time of acquisition.

”

bonds and becoming the first aircraft operating lessor to issue offshore RMB bonds. The Company continues to build a reputation as a financially prudent company with a business model that is responsive to external conditions. BOC Aviation ended the year with a diversified banking group of 47 lenders.

We continue to build a pipeline of new orders and purchase and leaseback transactions as we focus on future asset growth. We took delivery of a record 48 aircraft in 2013. In September, the Company built on a 2012 order of 50 Airbus A320 family aircraft by exercising options for 25 more, including 12 A320neo family aircraft, to be delivered by 2019.

In 2013 BOC Aviation continued to reinforce good corporate governance. BOC Aviation has board committees to assist the board in the discharge of its oversight function. During the year, a new Bank of China appointed director joined the board when Fang Yu

replaced Chen Jianzhong in August 2013 to be both a director and Chairman of the Compensation Committee. I would like to express my sincere gratitude to Chen Jianzhong for his contribution to BOC Aviation.

Lastly, I would like to thank our shareholders, customers and business partners for their ongoing support, and our directors, management and employees for all being part of that success. Together with the rest of Bank of China group, we cover the whole spectrum of services that both airlines and the aircraft supply chain will need going forward and continue to reach new heights.



Chen Siqing
Chairman

“



BOC Aviation's success in the past 20 years rests on these core principles of leadership, vision, professionalism, financial acumen, risk-awareness, and innovation.

”

Year in Review: Strategic Milestones

2013 was our busiest year with a number of notable firsts. We have now 20 years of consistent profitability, with a record 2013 net profit after tax of US\$277 million, based on revenue at a new high of US\$919 million. Assets expanded 12% to US\$10.2 billion. Shareholders' equity position improved 9% to US\$1.9 billion after payment of our first dividend of US\$113 million.

We took delivery of a record 48 new aircraft, and sold 21 owned aircraft. This took our portfolio of owned aircraft above 200 for the first time.

We closed the year with 206 owned and 20 managed aircraft in service with 56 airlines in 31 countries worldwide. We own a fuel-efficient modern fleet comprising Airbus A320, Airbus A330, Boeing 737 next generation, Boeing 777 and Embraer E190 families. Averaging less than four years of age, our owned fleet remains one of the youngest in the industry. During the year, we also signed leases for 50 aircraft and added five new customers.

To maintain our standing as the world's fourth largest aircraft operating lessor



by owned fleet, we continue to recruit talent to provide a full suite of services to our customers, underpinned by a robust risk management framework. In 2013, we appointed Gerard Kenneally as Chief Technical Officer to join a management team with a collective experience exceeding 200 years in aviation weathering industry downturns and economic challenges.

By the end of 2013, BOC Aviation had 114 employees of 14 nationalities based in offices in Singapore, Europe and USA, an increase of 10% over the past year reflecting our expanded scope of global operations.

The calibre of our human resources has been demonstrated by our innovation in the financial markets where we raised more than US\$2 billion, including US\$500 million 10-year unsecured notes, and setting another milestone by becoming the first global aircraft lessor to access the offshore RMB capital markets as we leveraged on our investment grade credit ratings from Fitch Ratings and Standard & Poor's. We ended the year with US\$538 million in cash and equivalents and more than US\$2 billion in unutilized committed credit facilities. We have an efficient capital structure with a conservative gross debt-to-equity ratio of 3.9:1 at end-2013. The average cost of debt was 1.9% per annum.

In 2013, we placed an order for 25 Airbus A320 family to be delivered between 2015 and 2019, upsizing from a 50-aircraft order to meet customer needs. We have now already placed 45 of these orders with airlines.

BOC Aviation's success in the past 20 years rests on these core principles of leadership, vision, professionalism, financial acumen, risk-awareness, and innovation. Most of all, the people who practice these values daily to deliver the results for our stakeholders display the passion to be the best in class in our field. It is this spirit that carries us into our third decade of operation and we are very grateful to our team for their dedication.



Robert Martin
Managing Director
& Chief Executive Officer

FINANCIAL HIGHLIGHTS & KEY STATISTICS

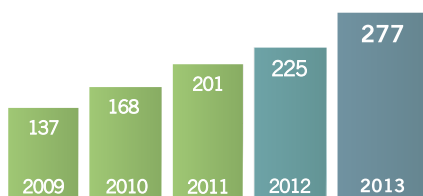
Net Profit After Tax (US\$ million)

+23%

2012: 225

2013:

277



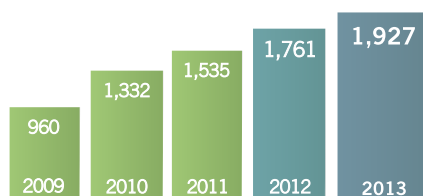
Shareholder's Funds (US\$ million)

+9%

2012: 1,761

2013:

1,927



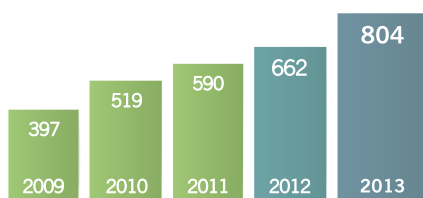
Lease Rentals (US\$ million)

+21%

2012: 662

2013:

804



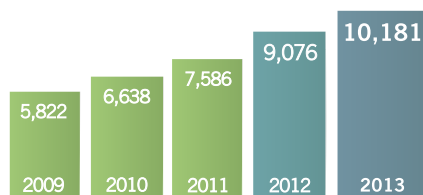
Total Assets (US\$ million)

+12%

2012: 9,076

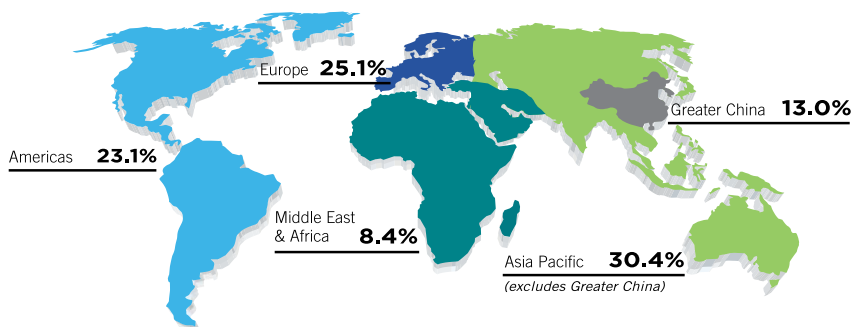
2013:

10,181



FINANCIAL HIGHLIGHTS & KEY STATISTICS

Distribution of Lease Rentals by Region as at 31 December 2013



Number of Owned Aircraft at Financial Year End

	DEC 2009	DEC 2010	DEC 2011	DEC 2012	DEC 2013
A319-100	16	16	13	13	13
A320-200	37	45	56	67	71
A321-200	2	2	2	2	2
A330-300	0	0	1	1	6
A330-200F	0	0	0	3	5
737-400	1	1	1	0	0
737-700	30	30	32	31	30
737-800	17	30	35	35	44
737-900ER	0	0	0	3	4
747-400F	1	1	1	1	1
777-200LRF	2	2	0	0	0
777-300	4	4	4	4	4
777-300ER	8	9	11	13	16
E195	0	0	2	5	4
E190	0	0	0	1	6
TOTAL	118	140	158	179	206

Number of Managed Aircraft at Financial Year End

	DEC 2009	DEC 2010	DEC 2011	DEC 2012	DEC 2013
A319-100	5	5	5	3	3
A320-200	4	5	5	2	1
A321-200	1	1	1	1	0
A330-200	3	3	1	1	1
A330-300	5	5	5	5	5
737-700	2	3	4	6	4
737-800	2	2	2	1	3
747-400ERF	0	0	0	3	3
777-200ER	2	2	2	2	0
TOTAL	24	26	25	24	20

2010

BOC increased equity investment by US\$100 million

Placed order for 30 A320 and eight Boeing 777-300ER



2011

Net profit after tax exceeded US\$200 million

Owned fleet exceeded 150 aircraft

First order with Embraer for E190 family aircraft

2009



Acquired US\$2.5 billion worth of aircraft

BOC increased equity investment by US\$100 million

Assets reached US\$5 billion as owned fleet exceeded 100 aircraft

2008



Net profit after tax exceeded US\$100 million

1997

Placed first order with Boeing for six 777 aircraft

Temasek and GIC each became 14.5% shareholders



1998

Robert Martin became Managing Director and joined the Board

1996



Placed first order with Airbus for 12 A320 Aircraft

1995



Purchased three Boeing 767-300ERs for lease to Alitalia

✈️ 2012 ————— ✈️ 2013



Inaugural credit ratings of A- from Fitch and BBB from S&P

Issued first unsecured US\$500 million five-year bonds

Issued 10-year benchmark bonds

Cumulative net profit after tax under BOC exceeded US\$1 billion

Total assets exceeded US\$10 billion

Owned fleet exceeded 200 aircraft

2007

Name changed to BOC Aviation



2006 ✈️

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

✈️ 2000 ————— ✈️ 2005

Launched SALE's first bond issue

Placed first 737 order with Boeing for 20 of the Next Generation 737 series

1993 ✈️



SALE established with 50:50 ownership between Singapore Airlines and Boulliou Aviation Services

Co-arranged and managed for investors the purchase and leaseback of one Boeing 767-300ER aircraft with China Southern Airlines

TESTIMONIALS



AIRBUS

"Airbus and BOC Aviation have built a strong partnership over the past two decades based on a mutual commitment to deliver the most modern, fuel-efficient widebody and single-aisle aircraft to airlines around the world. BOC Aviation has been a central player in the tremendous growth of our industry, offering not only one of the youngest aircraft portfolios but also a wide range of competitive lease management and aircraft finance services, either directly or through their parent company Bank of China. We look forward to continuing to grow our business together with BOC Aviation for the years to come."

Fabrice Brégier
President and Chief Executive Officer



ASIANA

"On behalf of Asiana Airlines, a long-term partner of BOC Aviation, I would like to extend our sincere congratulations on the 20th Anniversary of BOC Aviation. It has been a great pleasure to work with BOC Aviation and see its impressive growth in the aircraft leasing industry. We are confident about BOC Aviation's continuing leadership in the market and further enhancement of our good relationship in the coming decade."

Han Chang-Soo
Senior Executive Vice-President and Chief Financial Officer



IBERIA

"When Iberia made a strategic decision to upgrade its fleet to meet the challenges of today's customers, we were ably supported by BOC Aviation, which not only provided innovative solutions that added financial and operational flexibility to our fleet but also demonstrated a high calibre of professionalism in customer support. We have been impressed as a new customer, and congratulate BOC Aviation for 20 years of excellence."

Javier Sánchez-Prieto
Chief Financial Officer



IATA

"In just two decades, BOC Aviation has grown from a regionally focused aircraft lessor into a global player with airline customers in all corners of the world. IATA is proud to count BOC Aviation among our strategic partners. I thank them for their support of many of IATA's industry programs and initiatives and congratulate them on the occasion of their 20th Anniversary. As we begin aviation's second century, we look forward to continuing to build sustainable global connectivity with successful businesses and forward-looking partners like BOC Aviation."

Tony Tyler
Chief Executive Officer and Director General



THAI AIRWAYS

"Over the past four years, Thai Airways International has built a strong relationship with BOC Aviation through the delivery of eight Boeing 777-300ER aircraft. THAI congratulates BOC Aviation on its 20th Anniversary and looks forward to more cooperation with BOC Aviation to meet our aircraft financing requirements in the years ahead."

Chokchai Panyayong
Acting President



BOEING

"Over the years, BOC Aviation and Boeing have worked together to deliver products with superior value and unmatched operating economics to the world's airlines. BOC Aviation, a leader in the commercial airplane leasing industry, understands the airplane needs and requirements of airlines, especially as carriers compete in an increasingly aggressive and dynamic marketplace."

Ray Conner
Vice Chairman, The Boeing Company
President and Chief Executive Officer,
Boeing Commercial Airplanes

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

BANKERS

Apple Bank for Savings
Arab Bank plc
Bank of China
Bank of Communications Co., Ltd
Bank of East Asia Limited
Bank of Tokyo – Mitsubishi UFJ, Ltd.
BNP Paribas
Cathay United Bank Co., Ltd
CIMB Bank Berhad
Citibank, N.A.
Commerzbank Aktiengesellschaft
Commonwealth Bank of Australia
DBS Bank Ltd
DekaBank Deutsche Girozentrale
Deutsche Bank AG
Development Bank of Japan Inc
DVB Bank SE
Emirates NBD PJSC
Flushing Savings Bank, FSB
Hachijuni Bank Ltd.
Hiroshima Bank, Ltd
Hongkong and Shanghai Banking Corporation Limited
HSH Nordbank
Hua Nan Commercial Bank Ltd.
ING Bank N.V.
JPMorgan Chase Bank, N.A.
Kreditanstalt für Wiederaufbau
Landesbank Hessen – Thüringen Girozentrale
Lloyds Banking Group plc
Malayan Banking Berhad
Mega International Commercial Bank Co., Ltd
Morgan Stanley Bank, N.A.
National Australia Bank Limited
Nomura Trust and Banking Co., Ltd
Norddeutsche Landesbank Girozentrale
Oversea-Chinese Banking Corporation Limited
Portigon AG
Private Export Funding Corporation
Royal Bank of Scotland N.V.
Santander Corporate Banking
Sovereign Bank, N.A.
Standard Chartered Bank plc
Sumitomo Mitsui Banking Corporation
Sumitomo Mitsui Trust Bank Company Limited
Toronto-Dominion Bank
United Overseas Bank Limited
Westpac Banking Corporation

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**BOC AVIATION PTE. LTD. AND
ITS SUBSIDIARY COMPANIES**

(Incorporated in Singapore. Registration Number: 199307789K)

FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

**BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY
COMPANIES**

(Incorporated in Singapore)

FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

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BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

DIRECTORS' REPORT

For the financial year ended 31 December 2013

The Directors present their report to the member together with the audited financial statements of BOC Aviation Pte. Ltd. (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet of the Company as at 31 December 2013.

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)
Fu Shula	(Director)
Gao Jinyue	(Director)
Dr Xiao Wei	(Director)
Liu Jiandong	(Director)
Fang Yu	(Director, appointed on 23 August 2013)
Shi Jing	(Director)
Zhu Lin	(Director, appointed on 22 January 2014)

Directors' interests in shares, options or debentures

According to the register of directors' shareholdings, none of the Directors holding office at the end of the financial year had any interest in the shares, options or debentures of the Company or its related corporations.

Directors' contractual benefits

Since the end of the previous financial year, no Director 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 he is a member or with a company in which he has a substantial financial interest except as disclosed in the accompanying financial statements.

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 object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

DIRECTORS' REPORT

For the financial year ended 31 December 2013

Audit Committee

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

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

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

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

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

Independent Auditor

Ernst & Young LLP has been nominated for appointment as auditors for the financial year 2014. The appointment is subject to shareholder's approval at the forthcoming Annual General Meeting.

On behalf of the Board of Directors,



Chen Siqing
Chairman



Robert James Martin
Managing Director and Chief Executive Officer

Singapore, 20 March 2014

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2013

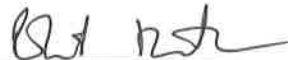
In the opinion of the Directors:

- (i) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 6 to 79 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the results of the business, changes in equity and cash flows of the Group for the financial 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.

On behalf of the Board of Directors,



Chen Siqing
Chairman



Robert James Martin
Managing Director and Chief Executive Officer

Singapore, 20 March 2014

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 (the "Group") set out on pages 6 to 79, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
BOC AVIATION PTE. LTD. (continued)**

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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 20 March 2014

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2013

	Note	2013 US\$'000	2012 US\$'000
Revenues			
Lease rental income	4	804,112	662,231
Interest and fee income	5	27,951	33,835
Other income			
- Net gain on sale of aircraft	6	76,471	23,544
- Lease termination fees		9,000	9,140
- Others		1,127	828
Allowance for doubtful debts written back			
- Trade receivables	16	-	1,164
- Other receivables	17	-	17
		918,661	730,759
Costs and expenses			
Depreciation of plant and equipment	12	336,346	278,159
Marketing and travelling expenses		4,254	4,097
Amortisation of deferred debt issue costs	7	14,635	11,163
Amortisation of lease transaction closing costs	13	306	271
Finance expenses	8	135,689	109,838
Staff costs	9	40,654	33,576
Other operating expenses	10	28,310	31,029
Bad debts written off		4,736	-
Impairment of aircraft	12	42,800	5,300
		(607,730)	(473,433)
Profit before income tax		310,931	257,326
Income tax expense	11	(33,870)	(32,027)
Profit for the year attributable to equity holder of the Company		277,061	225,299

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the financial year ended 31 December 2013*

	Note	2013 US\$'000	2012 US\$'000
Profit net of tax		277,061	225,299
Other comprehensive income:			
Item that may be reclassified subsequently to income statement:			
Effective portion of changes in fair value of cash flow hedges, net of tax	33	<u>1,507</u>	<u>864</u>
Total comprehensive income		<u>278,568</u>	<u>226,163</u>

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS

As at 31 December 2013

		<u>Group</u>		<u>Company</u>	
	Note	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Non-current assets					
Plant and equipment	12	9,594,313	8,351,233	4,253,037	3,895,059
Lease transaction closing costs	13	1,365	643	1,910	2,427
Finance lease receivables from subsidiary company	36	-	-	77,054	-
Finance lease receivables	36	-	16,438	-	-
Derivative financial instruments	30	-	1,537	-	1,537
Amounts due from subsidiary companies	14	-	-	818,601	406,310
Investments in subsidiary companies	15	-	-	697,176	601,132
Other non-current assets		7,313	-	-	-
		9,602,991	8,369,851	5,847,778	4,906,465
Current assets					
Finance lease receivables from subsidiary company	36	-	-	5,717	-
Finance lease receivables	36	-	5,738	-	-
Trade receivables	16	55	9,142	41	5,236
Prepayments		1,094	781	871	534
Other receivables	17	38,401	15,379	4,808	10,211
Derivative financial instruments	30	722	10,790	722	10,790
Fixed deposits	18	455,435	585,977	387,035	374,876
Cash and bank balances	19	82,727	77,842	20,241	48,854
		578,434	705,649	419,435	450,501
Less: Current liabilities					
Derivative financial instruments	30	5,557	8,681	5,557	8,681
Trade payables	20	42,248	35,191	21,201	15,194
Other payables	21	129,955	90,400	91,112	79,119
Income tax payables		614	62	-	-
Loans and borrowings	22	685,686	973,261	211,450	441,778
Finance lease payables to subsidiary companies	24	-	-	99,973	100,847
Finance lease payables	25	6,585	6,317	6,585	6,317
Security deposits	26	29,034	16,563	15,278	4,813
Deferred asset value guarantee fees	28	30	114	30	114
		899,709	1,130,589	451,186	656,863
Net current liabilities		(321,275)	(424,940)	(31,751)	(206,362)
Less: Non-current liabilities					
Derivative financial instruments	30	5,390	-	5,390	-
Loans and borrowings	22	6,569,412	5,403,367	3,103,275	2,014,521
Finance lease payables to subsidiary companies	24	-	-	1,001,435	1,003,128
Finance lease payables	25	52,812	59,397	52,812	59,397
Security deposits	26	164,136	224,508	109,838	165,249
Deferred lease income	26	26,474	25,746	20,683	22,275
Maintenance reserves	27	335,456	301,604	122,515	110,550
Deferred income tax liabilities	29	175,368	142,022	25,384	16,321
Other non-current liabilities	23	26,036	27,203	16,985	24,486
		7,355,084	6,183,847	4,458,317	3,415,927
Net assets		1,926,632	1,761,064	1,357,710	1,284,176
Equity attributable to equity holder of the Company					
Share capital	32	607,601	607,601	607,601	607,601
Revenue reserve		1,319,236	1,155,175	750,109	677,292
Hedging reserve	33	(205)	(1,712)	-	(717)
Total equity		1,926,632	1,761,064	1,357,710	1,284,176

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2013

	Note	Attributable to equity holder of the Company				Total equity US\$'000
		No. of shares '000	Share capital US\$'000	Revenue reserve US\$'000	Hedging reserve US\$'000	
2013						
Balance at 1 January 2013		589,909	607,601	1,155,175	(1,712)	1,761,064
Profit net of tax		-	-	277,061	-	277,061
Other comprehensive income	33	-	-	-	1,507	1,507
Total comprehensive income		-	-	277,061	1,507	278,568
Dividend paid	34			(113,000)	-	(113,000)
Balance at 31 December 2013		589,909	607,601	1,319,236	(205)	1,926,632
2012						
Balance at 1 January 2012		589,909	607,601	929,876	(2,576)	1,534,901
Profit net of tax		-	-	225,299	-	225,299
Other comprehensive income	33	-	-	-	864	864
Total comprehensive income		-	-	225,299	864	226,163
Balance at 31 December 2012		589,909	607,601	1,155,175	(1,712)	1,761,064

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2013

	Note	2013 US\$'000	2012 US\$'000
Cash flows from operating activities:			
Profit before income tax		310,931	257,326
Adjustments for:			
Depreciation of plant and equipment	12	336,346	278,159
Impairment of aircraft	12	42,800	5,300
Amortisation of deferred debt issue costs	7	14,635	11,163
Amortisation of lease transaction closing costs	13	306	271
Net gain on sale of aircraft	6	(76,471)	(23,544)
Asset value guarantee fees recognised	5	(84)	(83)
Allowance for doubtful debts (trade) written back	16	-	(1,164)
Allowance for doubtful debts (non-trade) written back	17	-	(17)
Bad debts written off		4,736	-
Interest income	5	(21,234)	(32,616)
Finance expenses	8	135,689	109,838
Fair value gains of foreign exchange forward		-	(310)
Operating profit before working capital changes		747,654	604,323
Decrease/(increase) in receivables		16,295	(13,218)
Decrease in finance lease receivables		17,440	5,570
Increase in payables		9,732	10,484
Increase in maintenance reserves		79,597	40,271
Cash generated from operations		870,718	647,430
Security deposit (paid)/received, net		(47,173)	36,806
Lease transaction closing costs paid	13	(1,062)	(244)
Income tax refund, net		29	7
Interest income received		16,143	26,537
Net cash provided by operating activities		838,655	710,536
Cash flows from investing activities:			
Purchase of plant and equipment	12	(2,502,588)	(1,527,237)
Proceeds from sale of plant and equipment	6	913,303	197,102
Net cash used in investing activities		(1,589,285)	(1,330,135)
Cash flows from financing activities:			
Proceeds from loans and borrowings		2,359,358	2,042,393
Repayment of loans and borrowings		(1,465,051)	(893,855)
Finance expenses paid		(135,180)	(95,800)
Debt issue costs paid		(21,154)	(35,913)
Dividend paid		(113,000)	-
Decrease/(increase) in cash and bank balances - Encumbered		13,333	(10,239)
Net cash provided by financing activities		638,306	1,006,586
Net (decrease)/increase in cash and cash equivalents		(112,324)	386,987
Cash and cash equivalents at beginning of year		613,553	226,566
Cash and cash equivalents at end of year	31	501,229	613,553

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

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

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2013

On 1 January 2013, the Group adopted the new or amended FRS and Interpretations of FRS (“INT FRS”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

Going concern assumption

As at 31 December 2013, the Group's and the Company's current liabilities exceeded its current assets by US\$321.3 million and US\$31.8 million respectively (2012: US\$424.9 million and US\$206.4 million respectively). The financial statements have been prepared on a going concern basis as the management is reasonably confident that the Group will have sufficient resources including committed rental cash flows and unutilised committed banking facilities for it to pay its debts as and when they fall due.

2.2 Basis of consolidation

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

All significant intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions 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.

2.3 Functional and foreign currency

(a) Functional and presentation currency

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.3 Functional and foreign currency (continued)

(b) Foreign currency transactions

Transactions arising in foreign currencies during the period are converted at rates closely approximating those prevailing on the transaction dates. Foreign currency monetary assets and liabilities are converted into United States Dollar at exchange rates prevailing at the balance sheet date. Exchange differences arising from conversion are included in the income statement.

2.4 Plant and equipment

(a) Aircraft

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

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

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.4 Plant and equipment (continued)

(b) Progress payments

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

(c) Other plant and equipment

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

(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 and fittings and office equipment	- 1 to 3 years

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

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.4 Plant and equipment (continued)

(e) Disposal

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

2.5 Lease transaction closing costs

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

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

2.6 Subsidiary companies

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's balance sheet, investments in the subsidiary companies are initially stated at cost. Subsequent to initial recognition, these investments are stated at cost less accumulated impairment losses.

At each balance sheet date, the Company assesses whether there are any indicators of impairment of its investments in the subsidiary companies. If any such indication exists, the recoverable amount is estimated and provision for impairment loss is made.

On disposal of a subsidiary, the difference between the disposal proceeds and the carrying amounts of the investment is recognised in the income statement.

2.7 Impairment of non-financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that the value of an asset may be impaired. If such evidence exists, the estimated recoverable amount is determined and any impairment is charged to the income statement. The recoverable amount is the greater of the asset's fair value less cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In certain circumstances, the management may use the fair value less cost to sell to estimate the recoverable amounts and disregard the value-in-use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.7 Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. 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 increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.8 Financial assets

Financial assets within the scope of FRS 39 Financial Instruments: Recognition and Measurement ("FRS 39") are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

The Group does not have any financial assets classified as held-to-maturity investments or available-for-sale financial assets.

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

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

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. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

(a) 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. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39.

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

(b) 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, such assets are carried at amortised cost using the effective interest method, less accumulated impairment loss. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.9 Impairment of financial assets

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

Financial assets carried at amortised cost

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.9 Impairment of financial assets (continued)

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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

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

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

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

2.10 Trade and other receivables

Trade and other receivables, including amounts due from subsidiary companies are classified and accounted for as loans and receivables under FRS 39. The accounting policies for this category of financial assets are stated in Note 2.8. Most of the trade receivables are received monthly in advance. An allowance for doubtful debts is made when there is objective evidence that collection of the full amount is no longer probable. Bad debts are written off to the income statement as incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.11 Cash and cash equivalents

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

2.12 Derivative financial instruments and hedging activities

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.12 Derivative financial instruments and hedging activities (continued)

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

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

(a) Fair value hedges

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

(b) Cash flow hedges

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

Amounts taken to hedging reserve are transferred to the income statement when the hedged transaction affects 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 the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.13 Provisions

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

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

2.14 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 maintenance reserve contributions to the Group which subsequently can be drawn on to pay for certain maintenance events carried out. These maintenance reserve balances are accounted for as liabilities. Upon sale of aircraft or termination of the lease, any unutilised maintenance reserve balance will be released to the income statement, or continued to be retained as reserves for drawdown by the follow-on operators. Any shortfall identified in the balances held in respect of historic operation of the aircraft that are required to maintain the aircraft to the required standards by follow-on operators are provided as a charge to the income statement.

2.15 Deferred asset value guarantees fees

The Group receives fees by providing guarantees to third parties that certain aircraft will be worth a specified amount at a specified date in the future. The fee income, net of all expenses that are an integral part of the guarantee transactions, is deferred and recognised on a straight-line basis over the guarantee period.

2.16 Financial liabilities

(a) Initial recognition and measurement

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

Financial liabilities are recognised initially at fair value, plus, in the case of other financial liabilities, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.16 Financial liabilities (continued)

(b) Subsequent measurement

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

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

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

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

(ii) Other financial liabilities

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

(c) Derecognition

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.17 Loans and borrowings

Term loans are initially recognised at fair value of the consideration received less directly attributable debt issue costs and subsequently measured at amortised cost using the effective interest rate method. Debt issue costs incurred to obtain loans and borrowings are accounted for in accordance with Note 2.19.

2.18 Capitalised interest

The Group borrows certain funds to finance progress payments for aircraft under construction. The interest incurred on such borrowings is capitalised and included in the cost of the aircraft. Capitalisation of interest ceases when the aircraft is delivered.

2.19 Debt issue costs

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

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

2.20 Trade and other payables

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.21 Employee benefits

(a) Short term employee benefits

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

(b) Short term incentive plan

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

(c) Long term incentive plan

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

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

(d) Defined contribution plans

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.22 Leases

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

(a) Where the Group/Company is the lessee

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

Capitalised leased assets are depreciated on the basis outlined in Note 2.4.

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

(b) Where the Group/Company is the lessor

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

Leases where the Group and Company retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Aircraft assets subject to operating leases are included in plant and equipment in the balance sheet. Revenue recognition policy of lease income is disclosed under Note 2.23. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.23 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. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its operating lease and finance lease arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) Lease income

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

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

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

(b) Arrangement, remarketing and lease management fees

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

(c) Dividend income

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

(d) Interest income

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

(e) Lease termination fees

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.24 Income taxes

(a) *Current income tax*

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

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

(b) *Deferred income tax*

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

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

- (i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- (ii) in respect of taxable temporary differences associated with investments in subsidiary companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.24 Income taxes (continued)

(b) *Deferred income tax* (continued)

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

- (i) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- (ii) in respect of deductible temporary differences associated with investments in subsidiary companies, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.25 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

2.26 Related parties

A party is considered to be related to the Group if:

- (a) The party, directly or indirectly through one or more intermediaries,
 - (i) controls, is controlled by, or is under common control with, the Group;
 - (ii) has an interest in the Group that gives it significant influence over the Group; or
 - (iii) has joint control over the Group;

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Summary of significant accounting policies (continued)

2.26 Related parties (continued)

- (b) The party is an associate;
- (c) The party is a jointly-controlled entity;
- (d) The party is a member of the key management personnel of the Group or its parent;
- (e) The party is a close member of the family of any individual referred to in (a) or (d); or
- (f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

2.27 Assets held-for-sale

Assets are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in the income statement.

3. Critical accounting estimates, assumptions and judgments

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

3. Critical accounting estimates, assumptions and judgments (continued)

(a) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of aircraft

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

(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 4% difference in the expected useful lives of these assets from management's estimates would result in approximately US\$13.6 million (2012: US\$11.6 million) variance in depreciation charges which could affect the Group's annual profit before tax in future.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

3. Critical accounting estimates, assumptions and judgments (continued)

(a) *Key sources of estimation uncertainty (continued)*

(iii) Asset value guarantees

The Company has guaranteed the residual value of two aircraft to financial institutions, for which the asset value guarantees mature in 2014. The Company generally provides for the shortfall of the appraised value below the guaranteed value. At 31 December 2013, management estimated that no provision is required as the estimated future aircraft values provided by the independent appraisers remain higher than the guaranteed values.

(iv) Fair values

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

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

(v) Income taxes and deferred income taxes

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

Details have been disclosed in Note 11 and Note 29.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

3. Critical accounting estimates, assumptions and judgments (continued)

(b) *Critical judgments made in applying accounting policies*

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

(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 contributions to the Group which can subsequently be drawn on for certain maintenance events carried out. Management has made a judgment based on payment records that as at period end, the lessees are able to fulfil their obligations as stipulated in the lease agreements. For any shortfall identified, a provision for aircraft maintenance will be charged to the income statement.

(ii) Impairment of financial assets

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

(iii) Fair value of financial instruments

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

3. Critical accounting estimates, assumptions and judgments (continued)

(b) Critical judgments made in applying accounting policies (continued)

(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 balance sheet.

- *Finance lease – As lessee*

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

(v) Deferred income taxes

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company is subject to Singapore tax on all of its foreign pre-tax earnings when earnings are effectively repatriated unless tax exemption is applicable. Significant management judgment is required to determine that the undistributed profits of the subsidiaries 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 as at 31 December 2013 was US\$498.8 million (2012: US\$451.6 million) for which deferred tax liabilities have not been recognised.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

3. Critical accounting estimates, assumptions and judgments (continued)

(b) *Critical judgments made in applying accounting policies (continued)*

(v) Deferred income taxes (continued)

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

Details have been disclosed in Note 29.

4. Lease rental income

	Note	Group 2013 US\$'000	2012 US\$'000
Lease rental income			
- Third parties		790,899	644,729
- Related parties		13,213	17,502
		804,112	662,231

5. Interest and fee income

	Note	Group 2013 US\$'000	2012 US\$'000
Interest income			
- Finance leases		1,211	1,685
- Fixed deposits and bank balances		3,048	1,172
- Financing for aircraft progress payments		16,029	29,437
- Others		946	322
		21,234	32,616
Fee income			
- Lease management fee income		3,383	686
- Remarketing fee income		3,250	450
- Asset value guarantee fee income	28	84	83
		27,951	33,835

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

6. Net gain on sale of aircraft

	Note	Group 2013 US\$'000	2012 US\$'000
Sale of aircraft			
- Proceeds from sale of aircraft		913,303	197,102
- Maintenance reserves released	27	45,745	-
- Net book value of aircraft		(880,642)	(173,480)
- Expenses		(1,935)	(78)
Net gain on sale of aircraft		<u>76,471</u>	<u>23,544</u>

7. Amortisation of deferred debt issue costs

	Note	Group 2013 US\$'000	2012 US\$'000
Arising from:			
Loans and borrowings	22	14,605	11,131
Finance lease payables	25	30	32
		<u>14,635</u>	<u>11,163</u>

8. Finance expenses

	Group 2013 US\$'000	2012 US\$'000
Interest expense and other charges on:		
- Finance leases	781	1,026
- Loans and borrowings	136,730	104,712
	<u>137,511</u>	<u>105,738</u>
Net fair value (gains)/losses on derivative financial instruments	(1,822)	4,100
	<u>135,689</u>	<u>109,838</u>

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

9. Staff costs

	Group	
	2013 US\$'000	2012 US\$'000
Salaries, bonuses and other staff costs	39,483	32,708
Employer's defined contribution benefits	1,171	868
	40,654	33,576

10. Other operating expenses

	Group	
	2013 US\$'000	2012 US\$'000
General office expenses	2,695	2,535
Operating lease expenses	1,432	1,302
Technical service expenses	18,927	23,655
Professional fees	5,175	3,883
Net foreign exchange losses/(gains)	18	(353)
Others	63	7
	28,310	31,029

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

11. Income tax expense

Major components of income tax expense were:

	Group	
	2013 US\$'000	2012 US\$'000
Current tax		
- Singapore	(94)	(18)
- Foreign	618	70
	524	52
Deferred tax		
- Singapore	14,072	7,135
- Foreign	25,665	26,480
	39,737	33,615
Write-back of over provision in prior years	(6,391)	(1,640)
	33,870	32,027

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2013*

11. Income tax expense (continued)

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate income tax rate for the years ended 31 December 2013 and 2012 are as follows:

	Group	
	2013	2012
	US\$'000	US\$'000
Profit before income tax	310,931	257,326
Tax at domestic tax rate of 17% (2012: 17%)	52,858	43,745
Adjustments:		
Overseas subsidiary companies' income not subject to tax	(2,453)	(9,763)
Different tax rates in other countries	6,011	9,728
Effects of Aircraft Leasing Scheme incentive on Company's results	(20,221)	(11,786)
Income not subject to tax	(1,772)	(65)
Expenses not deductible for tax purposes	5,631	1,771
Others	207	37
Write-back of over provision in prior years	(6,391)	(1,640)
	33,870	32,027

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.

As at 31 December 2013, the Group had unabsorbed capital allowances of approximately US\$842.2 million (2012: US\$858.8 million) and unutilised tax losses of approximately US\$774.4 million (2012: US\$647.9 million) which, subject to the provisions of relevant local tax legislations and subject to agreement with the relevant tax authorities, can be carried forward and set off against future taxable profit.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

12. Plant and equipment

	Aircraft US\$'000	Aircraft progress payments US\$'000	Office renovations US\$'000	Furniture and fittings and office equipment US\$'000	Total US\$'000
Group					
Cost:					
At 1 January 2013	8,642,699	885,086	126	5,058	9,532,969
Additions	2,116,673	383,820	545	1,550	2,502,588
Disposals	(1,062,902)	-	-	(73)	(1,062,975)
Transfers	801,169	(801,169)	-	-	-
Adjustments	280	-	-	-	280
At 31 December 2013	10,497,919	467,737	671	6,535	10,972,862
Accumulated depreciation and impairment:					
At 1 January 2013	1,178,386	-	95	3,255	1,181,736
Charge for the year	335,012	-	34	1,300	336,346
Disposals	(182,260)	-	-	(73)	(182,333)
Impairment	42,800	-	-	-	42,800
At 31 December 2013	1,373,938	-	129	4,482	1,378,549
Net book value:					
At 31 December 2013	9,123,981	467,737	542	2,053	9,594,313

	Aircraft US\$'000	Aircraft progress payments US\$'000	Office renovations US\$'000	Furniture and fittings and office equipment US\$'000	Total US\$'000
Group					
Cost:					
At 1 January 2012	7,488,826	730,872	126	4,494	8,224,318
Additions	850,010	676,663	-	564	1,527,237
Disposals	(218,556)	-	-	-	(218,556)
Transfers	522,449	(522,449)	-	-	-
Adjustments	(30)	-	-	-	(30)
At 31 December 2012	8,642,699	885,086	126	5,058	9,532,969
Accumulated depreciation and impairment:					
At 1 January 2012	941,366	-	53	1,931	943,350
Charge for the year	276,796	-	42	1,321	278,159
Disposals	(45,076)	-	-	-	(45,076)
Impairment	5,300	-	-	-	5,300
Adjustments	-	-	-	3	3
At 31 December 2012	1,178,386	-	95	3,255	1,181,736
Net book value:					
At 31 December 2012	7,464,313	885,086	31	1,803	8,351,233

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

12. Plant and equipment (continued)

	Aircraft US\$'000	Aircraft progress payments US\$'000	Office renovations US\$'000	Furniture and fittings and office equipment US\$'000	Total US\$'000
Company					
Cost:					
At 1 January 2013	3,926,546	363,284	126	5,034	4,294,990
Additions	1,497,267	68,588	545	1,549	1,567,949
Disposals	(1,172,823)	-	-	(67)	(1,172,890)
Transfer to subsidiary companies	-	(1,071)	-	-	(1,071)
Transfers	430,716	(430,716)	-	-	-
At 31 December 2013	4,681,706	85	671	6,516	4,688,978
Accumulated depreciation and impairment:					
At 1 January 2013	396,604	-	95	3,232	399,931
Charge for the year	148,969	-	34	1,298	150,301
Disposals	(115,624)	-	-	(67)	(115,691)
Impairment	1,400	-	-	-	1,400
At 31 December 2013	431,349	-	129	4,463	435,941
Net book value:					
At 31 December 2013	4,250,357	85	542	2,053	4,253,037

	Aircraft US\$'000	Aircraft progress payments US\$'000	Office renovations US\$'000	Furniture and fittings and office equipment US\$'000	Total US\$'000
Company					
Cost:					
At 1 January 2012	3,177,234	344,691	126	4,479	3,526,530
Additions	763,154	161,111	-	555	924,820
Disposals	(155,597)	-	-	-	(155,597)
Transfer to subsidiary companies	-	(998)	-	-	(998)
Transfers	141,520	(141,520)	-	-	-
Adjustments	235	-	-	-	235
At 31 December 2012	3,926,546	363,284	126	5,034	4,294,990
Accumulated depreciation and impairment:					
At 1 January 2012	287,379	-	53	1,919	289,351
Charge for the year	121,939	-	42	1,313	123,294
Disposals	(16,114)	-	-	-	(16,114)
Impairment	3,400	-	-	-	3,400
At 31 December 2012	396,604	-	95	3,232	399,931
Net book value:					
At 31 December 2012	3,529,942	363,284	31	1,802	3,895,059

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

12. Plant and equipment (continued)

(a) Impairment of assets

Cumulative provision for impairment loss of the Group and the Company of US\$48.9 million and US\$1.1 million (2012: US\$12.6 million and US\$3.4 million) respectively is 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.

Analysis of impairment loss provision:

	Group	
	2013	2012
	US\$'000	US\$'000
Balance at beginning of year	12,632	13,011
Impairment of aircraft	42,800	5,300
Disposal of asset	(6,500)	(5,679)
Balance at end of year	48,932	12,632

(b) Assets held under finance leases

The net book value of aircraft owned by the Group and Company acquired under finance lease arrangements amounted to US\$70.5 million and US\$1,620.2 million (2012: US\$73.1 million and US\$1,524.7 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 owned by the Group and the Company that have been charged for loan facilities granted (Note 22 and Note 25) by way of mortgages and/or by way of a pledge by the Company of all its benefits in respect of its entire shareholding in certain subsidiary companies which hold title to such aircraft (Note 15) amounted to US\$7,708.7 million (2012: US\$7,161.3 million) and US\$3,785.2 million (2012: US\$3,442.0 million) respectively.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

13. Lease transaction closing costs

	Group		Company	
	2013	2012	2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000
Cost:				
At beginning of year	1,759	3,358	3,609	4,337
Additions	1,062	244	590	197
Written off to income statement upon sale of aircraft	(211)	-	(1,021)	(905)
Adjustments	34	(48)	44	(20)
Written off upon fully amortised	(25)	(1,795)	(25)	-
At end of year	<u>2,619</u>	<u>1,759</u>	<u>3,197</u>	<u>3,609</u>
Accumulated amortisation:				
At beginning of year	1,116	2,646	1,182	1,002
Charge for the year	306	271	447	485
Written off to income statement upon sale of aircraft	(148)	-	(317)	(305)
Adjustments	5	(6)	-	-
Written off upon fully amortised	(25)	(1,795)	(25)	-
At end of year	<u>1,254</u>	<u>1,116</u>	<u>1,287</u>	<u>1,182</u>
Net book value:				
At end of year	<u>1,365</u>	<u>643</u>	<u>1,910</u>	<u>2,427</u>

14. Amounts due from subsidiary companies

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

15. Investments in subsidiary companies

	Company	
	2013	2012
	US\$'000	US\$'000
Equity investments at cost:		
At beginning of year	601,132	551,132
Additions	100,000	50,000
Impairment	(3,956)	-
At end of year	697,176	601,132
<hr/>		
Provision for impairment of investments in subsidiary companies:		
At beginning of year	-	-
Charge for the year	3,956	-
At end of year	3,956	-

During the year, the Company paid US\$100 million to increase its investment in BOC Aviation (Ireland) Limited from US\$150 million to US\$250 million.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

15. Investments in subsidiary companies (continued)

The subsidiary companies as at balance sheet date were:

	Name of companies	Country of business/ incorporation	Principal activities	Percentage of equity held by the Company	
				2013 %	2012 %
¹	BOC Aviation (Ireland) Limited	Ireland	Leasing of aircraft	100	100
^{2,5}	Stamford Leasing Limited	Bermuda	Dormant	100	100
¹	S.A.L.E. (Labuan) Pte. Ltd.	Malaysia	Dormant	100	100
²	BOC Aviation (Bermuda) Limited	Bermuda	Holding of funds	100	100
^{2,5}	Quartet Two Limited	Cayman Islands	Dormant	100	100
^{2,5}	Quartet Three Limited	Cayman Islands	Dormant	100	100
^{2,5}	Quartet Four Limited	Cayman Islands	Dormant	100	100
^{2,3}	Emerald One Limited	Cayman Islands	Leasing of aircraft	100	100
^{2,3}	Emerald Two Limited	Cayman Islands	Leasing of aircraft	100	100
¹	BOC Aviation (USA) Corporation	United States	Leasing of aircraft	100	100
¹	Solitaire Capital Limited	Singapore	Investment holding	100	100
^{2,5}	Excalibur Express Limited	Cayman Islands	Dormant	100	100
^{2,3}	Bluebell Leasing Limited	Cayman Islands	Leasing of aircraft	100	100
^{2,3}	Avocet Leasing Limited	Cayman Islands	Leasing of aircraft	100	100
²	Dolphin Leasing Limited	Cayman Islands	Leasing of aircraft	100	100
^{2,3}	Emerald Three Limited	Cayman Islands	Leasing of aircraft	100	100
^{2,3}	Emerald Four Limited	Cayman Islands	Leasing of aircraft	100	100
^{2,5}	SALE Cayman (MP1) Limited	Cayman Islands	Dormant	100	100
^{2,3}	Nimue Leasing Limited	Cayman Islands	Leasing of aircraft	100	100
²	Penguin Leasing Limited	Cayman Islands	Leasing of aircraft	100	100
^{2,5}	SALE Cayman (VLE1) Limited	Cayman Islands	Dormant	100	100
²	BOC Aviation (Cayman) Limited	Cayman Islands	Acquisition of aircraft	100	100
^{2,3}	SALE Cayman (35073) Limited	Cayman Islands	Leasing of aircraft	100	100

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

15. Investments in subsidiary companies (continued)

	Name of companies	Country of business/ incorporation	Principal activities	Percentage of equity held by the Company	
				2013 %	2012 %
²	SALE Cayman (VLE2) Limited	Cayman Islands	Leasing of aircraft	100	100
^{2,3}	SALE Cayman (35075) Limited	Cayman Islands	Leasing of aircraft	100	100
^{2,3}	SALE Cayman (35076) Limited	Cayman Islands	Leasing of aircraft	100	100
^{2,3}	SALE Cayman (35077) Limited	Cayman Islands	Leasing of aircraft	100	100
^{2,5}	Yasashi Leasing Limited	Cayman Islands	Dormant	100	100
^{2,3}	Acme Leasing One Limited	Cayman Islands	Leasing of aircraft	100	100
^{2,3}	Acme Leasing Two Limited	Cayman Islands	Leasing of aircraft	100	100
^{2,3}	Acme Leasing Three Limited	Cayman Islands	Leasing of aircraft	100	100
^{2,3}	Echo Leasing One Limited	Cayman Islands	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	Leasing of aircraft	100	100
²	BOCA Leasing (Bermuda) Limited	Bermuda	Leasing of aircraft	100	100
²	Echo Leasing Four Limited	Cayman Islands	Leasing of aircraft	100	100
²	Echo Leasing Five Limited	Cayman Islands	Leasing of aircraft	100	100
²	Echo Leasing Six Limited	Cayman Islands	Leasing of aircraft	100	100
²	Echo Leasing Seven Limited	Cayman Islands	Leasing of aircraft	100	100
²	Vanda Leasing One Limited	Cayman Islands	Leasing of aircraft	100	100
²	Vanda Leasing Two Limited	Cayman Islands	Leasing of aircraft	100	100
²	Vanda Leasing Three Limited	Cayman Islands	Leasing of aircraft	100	100
²	Vanda Leasing Four Limited	Cayman Islands	Leasing of aircraft	100	100
²	Vanda Leasing Five Limited	Cayman Islands	Leasing of aircraft	100	100
²	Vanda Leasing Six Limited	Cayman Islands	Leasing of aircraft	100	100
²	Vanda Leasing Seven Limited	Cayman Islands	Leasing of aircraft	100	100
²	Vanda Leasing Eight Limited	Cayman Islands	Leasing of aircraft	100	100
²	Vanda Leasing Nine Limited	Cayman Islands	Leasing of aircraft	100	100
²	Vanda Leasing Ten Limited	Cayman Islands	Leasing of aircraft	100	100
²	Vanda Leasing Eleven Limited	Cayman Islands	Leasing of aircraft	100	100

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

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For the financial year ended 31 December 2013

15. Investments in subsidiary companies (continued)

Name of companies	Country of business/ incorporation	Principal activities	Percentage of equity held by the Company	
			2013 %	2012 %
² Vanda Leasing Twelve Limited	Cayman Islands	Leasing of aircraft	100	100
Deemed subsidiary companies *				
^{1,4} ARCU Aircraft Holdings Pte. Ltd.	Singapore	Investment holding	-	-
^{1,4} Pacific Triangle Holdings Pte. Ltd.	Singapore	Investment holding	-	-
^{2,4} ACME Lease Holdings LLC	United States	Leasing of aircraft	-	-
^{2,4} Laylya Leasing LLC	United States	Leasing of aircraft	-	-
^{2,4} Galahad Leasing Limited	Cayman Islands	Leasing of aircraft	-	-
^{2,4} Guinevere Leasing Limited	Cayman Islands	Leasing of aircraft	-	-
^{2,4} Sunshine Aircraft Leasing LLC	United States	Leasing of aircraft	-	-
^{2,4} Gawain Leasing Limited	Cayman Islands	Leasing of aircraft	-	-
^{2,4} Chilli Leasing LLC	United States	Leasing of aircraft	-	-
^{2,4} Green Knight Leasing Limited	Cayman Islands	Leasing of aircraft	-	-
Held by ARCU Aircraft Holdings Pte. Ltd.:				
^{2,4} ARCU Aircraft Leasing Limited*	Cayman Islands	Leasing of aircraft	-	-
Held by Pacific Triangle Holdings Pte. Ltd.:				
^{2,4} Pacific Triangle Leasing Limited*	Cayman Islands	Leasing of aircraft	-	-
^{2,4} Pacific Triangle Leasing 2 Limited*	Cayman Islands	Leasing of aircraft	-	-

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

15. Investments in subsidiary companies (continued)

Name of companies	Country of business/ incorporation	Principal activities	Percentage of equity held by the Company	
			2013 %	2012 %
<i>Held by BOC Aviation (Ireland) Limited:</i>				
² BOC Aviation (France) SARL	France	Leasing of aircraft	100	100
² BOC Aviation (France) 2 SARL	France	Leasing of aircraft	100	-
² BOC Aviation (France) 3 SARL	France	Leasing of aircraft	100	-
² BOC Aviation (France) 4 SARL	France	Leasing of aircraft	100	-
² BOC Aviation (France) 5 SARL	France	Leasing of aircraft	100	-
² BOC Aviation (France) 6 SARL	France	Leasing of aircraft	100	-
² BOC Aviation (France) 7 SARL	France	Leasing of aircraft	100	-
² BOC Aviation (France) 8 SARL	France	Leasing of aircraft	100	-
² BOC Aviation (France) 9 SARL	France	Leasing of aircraft	100	-
² BOC Aviation (France) 10 SARL	France	Leasing of aircraft	100	-
<i>Held by BOC Aviation (USA) Corporation:</i>				
^{2,5} Apex Leasing Corporation	United States	Dormant	100	100
^{2,5} Nexus Leasing Limited	United States	Dormant	100	100
² BOC Aviation (Aruba) A.V.V.	Aruba	Leasing of aircraft	100	100
<i>Held by Solitaire Capital Limited:</i>				
² Goldfinch Limited	Bermuda	Leasing of aircraft	100	100

- ¹ Audited by PricewaterhouseCoopers LLP, Singapore or member firms of PricewaterhouseCoopers.
- 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 PricewaterhouseCoopers LLP.
- ³ The Company has pledged all its benefits in respect of its entire shareholding in these subsidiary companies for loan facilities granted (Notes 22 and 25).
- ⁴ The shares of these companies are pledged for loan facilities granted to certain companies within the Group.
- ⁵ These companies are undergoing voluntary liquidation. Subsequent to 31 December 2013, Excalibur Express Limited, Stamford Leasing Limited, Apex Leasing Corporation and Nexus Leasing Limited have been dissolved.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

16. Trade receivables

	Group		Company	
	2013	2012	2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables (gross)	834	9,921	820	6,015
Allowance for impairment	(779)	(779)	(779)	(779)
Trade receivables (net)	55	9,142	41	5,236

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

At the balance sheet date, the Group's trade receivables (gross) arising from lease rentals amounting to US\$0.8 million (2012: US\$9.9 million) were secured by cash security deposits held by the Group or letters of credit issued by acceptable banks in the countries where the lessees are based.

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

Aging analysis of trade receivables that are past due but not impaired:

	Group		Company	
	2013	2012	2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables past due:				
Less than 15 days	-	966	-	966
15 to 30 days	-	570	-	570
More than 30 days	-	2,745	-	2,745
	-	4,281	-	4,281

(b) Trade receivables that are impaired

As at 31 December 2013, the movement in the allowance for impairment accounts is as follows:

	Group		Company	
	2013	2012	2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000
At beginning of year	779	1,943	779	1,943
Write-back during the year	-	(1,164)	-	(1,164)
At end of year	779	779	779	779

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

17. Other receivables

	Group		Company	
	2013	2012	2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000
Deposits	794	476	775	458
Sundry receivables	25,535	7,922	195	8,249
Accrued income	12,092	7,001	2,763	617
Amounts due from subsidiary companies	-	-	1,095	907
Allowance for impairment	(20)	(20)	(20)	(20)
	38,401	15,379	4,808	10,211

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 balance sheet or through letters of credit from banks. The unsecured amounts not collected, if any, have been fully provided for.

Other receivables that are impaired

As at 31 December 2013, the movement in the allowance for impairment accounts is as follows:

	Group		Company	
	2013	2012	2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000
At beginning of year	20	37	20	37
Write-back during the year	-	(17)	-	(17)
At end of year	20	20	20	20

18. Fixed deposits

		Group		Company	
	Note	2013	2012	2013	2012
		US\$'000	US\$'000	US\$'000	US\$'000
Unencumbered	31	455,435	585,977	387,035	374,876

Short term United States Dollar deposits are placed for varying periods between one day and two months (2012: one day and three months) depending on cash requirements of the Group, and earned interest at the respective short term deposit rates. The weighted average effective interest rate for short term deposits was 0.73% (2012: 0.93%) per annum.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

18. Fixed deposits (continued)

As at 31 December 2013, fixed deposits placed with intermediate holding company amounted to US\$163.6 million (2012: US\$299.9 million) for the Group and US\$115.5 million (2012: US\$299.9 million) for the Company.

19. Cash and bank balances

	Note	Group		Company	
		2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Encumbered	22	36,933	50,266	4,669	35,984
Unencumbered	31	45,794	27,576	15,572	12,870
		82,727	77,842	20,241	48,854

An amount of US\$36.9 million (2012: US\$50.3 million) and US\$4.7 million (2012: US\$36.0 million) of the Group's and Company's cash and bank balances respectively have been pledged for loan obligations and contingency provisions under such obligations.

The Group's and Company's cash and bank balances included an amount of US\$28.1 million (2012: US\$15.5 million) and US\$12.2 million (2012: US\$10.1 million) respectively, placed in daily sweep accounts which are available upon demand.

Cash at banks of the Group earned interest at floating rates based on daily bank interest rates at an average of 0.05% (2012: 0.05%) per annum.

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

	Group		Company	
	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Australian Dollar	247	281	-	-
Euro	688	496	499	438
Japanese Yen	118	-	-	-
Singapore Dollar	2,134	582	2,134	582
	3,187	1,359	2,633	1,020

20. Trade payables

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

21. Other payables

	Group		Company	
	2013	2012	2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000
Sundry payables	1,676	3,240	1,200	1,698
Accrued interest expenses	26,948	25,028	17,315	14,387
Other accruals and liabilities	101,331	62,132	69,445	54,731
Amounts due to subsidiary companies	-	-	3,152	8,303
	129,955	90,400	91,112	79,119

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

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

22. Loans and borrowings

	Group		Company	
	2013	2012	2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000
Current:				
Medium Term Notes	63,967	204,657	63,967	204,657
Fair value adjustments	(415)	6,244	(415)	6,244
	63,552	210,901	63,552	210,901
USD bank loans	635,149	771,446	149,674	229,579
Fair value adjustments	-	3,614	-	3,614
	635,149	775,060	149,674	233,193
Deferred debt issue costs	(13,015)	(12,700)	(1,776)	(2,316)
	685,686	973,261	211,450	441,778
Non-current:				
Medium Term Notes	1,356,838	563,967	1,356,838	563,967
Medium Term Notes discount (net of premium)	(856)	(2,274)	(856)	(2,274)
Fair value adjustments	(5,390)	1,537	(5,390)	1,537
	1,350,592	563,230	1,350,592	563,230
USD bank loans	5,306,867	4,922,096	1,763,423	1,459,815
Deferred debt issue costs	(88,047)	(81,959)	(10,740)	(8,524)
	6,569,412	5,403,367	3,103,275	2,014,521
Total	7,255,098	6,376,628	3,314,725	2,456,299

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

22. Loans and borrowings (continued)

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

	Note	Group		Company	
		2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Cost:					
At beginning of year		125,985	92,515	16,478	10,418
Additions		22,161	33,538	6,208	6,028
Written off to income statement upon sale of aircraft		(1,694)	-	(1,361)	-
Written off upon fully amortised		(4,656)	-	(1,157)	-
Transfers		-	-	(608)	-
Adjustments		12	(68)	(47)	32
At end of year		141,808	125,985	19,513	16,478
Accumulated amortisation:					
At beginning of year		31,326	20,195	5,638	3,347
Charge for the year	7	14,605	11,131	3,184	2,291
Written off to income statement upon sale of aircraft		(529)	-	(395)	-
Transfers		-	-	(273)	-
Written off upon fully amortised		(4,656)	-	(1,157)	-
At end of year		40,746	31,326	6,997	5,638
Net book value:					
At end of year		101,062	94,659	12,516	10,840
Deferred debt issue costs, net		101,062	94,659	12,516	10,840
Less: Current portion		(13,015)	(12,700)	(1,776)	(2,316)
Non-current portion		88,047	81,959	10,740	8,524

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

22. Loans and borrowings (continued)

Total loans and borrowings included secured liabilities of US\$5,882 million (2012: US\$5,498.5 million) and US\$1,873.1 million (2012: US\$1,604.3 million) for the Group and the Company respectively. These amounts are secured by the related aircraft (Note 12), certain cash and bank balances and designated bank accounts (Note 19) and/or a pledge of the shares in certain subsidiary companies (Note 15) that hold title to aircraft.

In addition, the Company and certain subsidiaries 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 loans of the Group is set at specified margins above LIBOR. Interest rate for floating rate loans is reset at intervals of up to six months and the weighted average effective interest rate was 2.29% (2012: 1.95%) per annum. The loans are repayable based on agreed repayment schedules, until the expiry date of the respective loans. The final maturities of the loans are between 2014 and 2025.

As at 31 December 2013, the Group's bank loans in terms of term loans due to intermediate holding company amounted to US\$527.8 million (2012: US\$493.6 million). There were no outstanding drawings under two US\$1 billion committed revolving credit facilities granted by the intermediate holding company. The first US\$1 billion committed revolving credit facility matures on 28 December 2017 and the second US\$1 billion committed revolving credit facility matures on 2 April 2019. Included in the Group's bank loans was an amount of US\$628.7 million (2012: US\$526.3 million) due to related parties.

As at 31 December 2013, the Company's bank loans due to the intermediate holding company amounted to US\$392.9 million (2012: US\$351.5 million) and due to related parties amounted to US\$497.9 million (2012: US\$278.2 million).

As at 31 December 2013, the Group had unutilised unsecured committed revolving credit facilities of US\$2,335 million (2012: US\$2,225 million) and committed long term credit facilities pending aircraft substitution of US\$123.9 million (2012: US\$174.6 million). The Group also had an unsecured uncommitted credit facility of US\$50 million which was not drawn in 2013.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

22. Loans and borrowings (continued)

(b) Medium Term Notes

The Company set up a US\$300 million Multi-Currency Medium Term Note Programme (the "Programme") on 2 September 2009. The Programme was increased to US\$600 million on 12 December 2011. As at 31 December 2013, the Group and the Company had outstanding notes of US\$64 million (2012: US\$268.6 million) at fixed rates of 3.25% (2012: 2.40% to 3.25%) per annum, maturing in 2014.

The Company has also set up a US\$2 billion Euro Medium Term Note Programme ("EMTN Programme") on 20 September 2012. As at 31 December 2013, the Group and the Company had outstanding notes issued under the EMTN Programme of US\$1,356.8 million (2012: US\$500 million) at fixed coupon rates ranging from 2.0% to 4.5% per annum. The final maturities of these notes are between 2015 and 2023.

23. 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 the years from 2015 to 2017 (2012: 2014 to 2016).

24. Finance lease payables to subsidiary companies

	Note	Company	
		2013 US\$'000	2012 US\$'000
Current:			
Finance lease payables		104,859	105,000
Deferred debt issue costs		(4,886)	(4,153)
Finance lease payables, net		<u>99,973</u>	<u>100,847</u>
Non-current:			
Finance lease payables		1,044,749	1,040,651
Deferred debt issue costs		(43,314)	(37,523)
Finance lease payables, net		<u>1,001,435</u>	<u>1,003,128</u>
Total finance lease payables, net		<u>1,101,408</u>	<u>1,103,975</u>
The scheduled repayment of the finance lease payables is as follows:			
Finance lease payables	36(c)(i)	1,149,608	1,145,651
Less: Current portion		(104,859)	(105,000)
Non-current portion		<u>1,044,749</u>	<u>1,040,651</u>

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2013***24. Finance lease payables to subsidiary companies (continued)**

The finance lease payables to subsidiary companies of US\$1,149.6 million (2012: US\$1,059.6 million) are secured by a charge over leased assets (Note 12). Interest on the leases ranged from 0.48% to 1.68% per annum (2012: 0.55% to 2.15% per annum).

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

	Company	
	2013	2012
	US\$'000	US\$'000
Cost:		
At beginning of year	49,654	30,693
Additions	12,948	18,963
Written off upon fully amortised	(2,126)	-
Transfers	(2,577)	-
Adjustments	(9)	(2)
At end of year	57,890	49,654
Accumulated amortisation:		
At beginning of year	7,978	4,714
Charge for the year	4,558	3,264
Written off upon fully amortised	(2,126)	-
Transfers	(720)	-
At end of year	9,690	7,978
Net book value:		
At end of year	48,200	41,676
Deferred debt issue costs, net	48,200	41,676
Less: Current portion	(4,886)	(4,153)
Non-current portion	43,314	37,523

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

25. Finance lease payables

	Note	Group and Company 2013 US\$'000	2012 US\$'000
Current:			
Finance lease payables		6,615	6,347
Deferred debt issue costs		(30)	(30)
Finance lease payables, net		6,585	6,317
Non-current:			
Finance lease payables		52,910	59,525
Deferred debt issue costs		(98)	(128)
Finance lease payables, net		52,812	59,397
Total finance lease payables, net		59,397	65,714
Finance lease payables	36(c)(i)	59,525	65,872
Less: Current portion		(6,615)	(6,347)
Non-current portion		52,910	59,525

The finance lease payables are secured by a charge over leased assets (Note 12). Interest on the leases ranged from 0.81% to 2.66% per annum (2012: 0.97% to 2.72% per annum).

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

	Note	Group and Company 2013 US\$'000	2012 US\$'000
Cost:			
At beginning of year		191	220
Adjustments		-	(29)
At end of year		191	191
Accumulated amortisation:			
At beginning of year		33	1
Charge for the year	7	30	32
At end of year		63	33
Net book value:			
At end of year		128	158
Deferred debt issue costs, net		128	158
Less: Current portion		(30)	(30)
Non-current portion		98	128

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

26. Security deposits and deferred lease income

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

In addition to the cash security deposits recorded on the balance sheet, the security deposits received by the Group and the Company in the form of irrevocable letters of credit and bank guarantees amounted to US\$110.5 million (2012: US\$110.2 million) and US\$28.8 million (2012: US\$35.5 million) respectively.

27. Maintenance reserves

	Note	Group		Company	
		2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
At beginning of year		301,604	261,333	110,550	95,829
Contributions		173,764	99,077	92,111	27,093
Utilisation		(57,215)	(38,526)	(20,929)	(4,042)
Transfer to buyers		(36,952)	(20,280)	(18,981)	(8,330)
Release to income statement upon sale of aircraft	6	(45,745)	-	(40,236)	-
At end of year		335,456	301,604	122,515	110,550

Irrevocable letters of credit received by the Group and the Company from lessees to cover their maintenance reserve obligations amounted to US\$58.7 million (2012: US\$46.2 million) and US\$24.0 million (2012: US\$19.2 million) respectively.

28. Deferred asset value guarantee fees

	Note	Group and Company	
		2013 US\$'000	2012 US\$'000
Cost:			
At beginning and end of year		3,464	3,464
Accumulated amortisation:			
At beginning of year		(3,350)	(3,267)
Release to income statement	5	(84)	(83)
At end of year		(3,434)	(3,350)
Net book value:			
At end of year		30	114
Deferred asset value guarantees fees, net		30	114
Less: Current portion		(30)	(114)
Non-current portion		-	-

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

29. Deferred income tax liabilities

Deferred income tax liabilities at the balance sheet dates relates to the following:

	Group		Company	
	2013	2012	2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000
Gross deferred tax liabilities	425,648	376,751	77,174	66,978
Gross deferred tax assets	(250,280)	(234,729)	(51,790)	(50,657)
Net deferred tax liabilities	175,368	142,022	25,384	16,321

The unrecognised deferred tax liabilities are as disclosed in Note 11.

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

	Differences in depreciation	Unremitted overseas income	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Group				
31 December 2013				
Deferred tax liabilities arising from:				
At beginning of year	375,735	392	624	376,751
Charged/(credited) to income statement	45,074	4,178	(355)	48,897
At end of year	420,809	4,570	269	425,648
Unabsorbed capital allowances and unutilised tax losses				
	US\$'000	Provisions	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax assets arising from:				
At beginning of year	(227,198)	(4,206)	(3,325)	(234,729)
(Credited)/charged to income statement	(15,105)	414	(860)	(15,551)
At end of year	(242,303)	(3,792)	(4,185)	(250,280)
Net deferred tax liabilities at end of year				175,368

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

29. Deferred income tax liabilities (continued)

	Differences in depreciation US\$'000	Unremitted overseas income US\$'000	Others US\$'000	Total US\$'000
Group				
31 December 2012				
Deferred tax liabilities arising from:				
At beginning of year	305,030	78	452	305,560
Charged to income statement	70,705	314	172	71,191
At end of year	375,735	392	624	376,751
	Unabsorbed capital allowances and unutilised tax losses US\$'000	Provisions US\$'000	Others US\$'000	Total US\$'000
Deferred tax assets arising from:				
At beginning of year	(186,050)	(3,795)	(5,668)	(195,513)
(Credited)/charged to income statement	(41,148)	(411)	2,343	(39,216)
At end of year	(227,198)	(4,206)	(3,325)	(234,729)
Net deferred tax liabilities at end of year				142,022

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

29. Deferred income tax liabilities (continued)

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

	Differences in depreciation US\$'000	Unremitted overseas income US\$'000	Others US\$'000	Total US\$'000
Company				
31 December 2012				
Deferred tax liabilities arising from:				
At beginning of year	49,876	78	452	50,406
Charged to income statement	16,086	314	172	16,572
At end of year	65,962	392	624	66,978

	Unabsorbed capital allowances and unutilised tax losses US\$'000	Provisions US\$'000	Others US\$'000	Total US\$'000
Deferred tax assets arising from:				
At beginning of year	(36,673)	(2,906)	-	(39,579)
(Credited)/charged to income statement	(11,163)	85	-	(11,078)
At end of year	(47,836)	(2,821)	-	(50,657)
Net deferred liabilities at end of year				16,321

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

30. Derivative financial instruments

	Group and Company					
	Outstanding notional amounts 2013 US\$'000	Assets 2013 US\$'000	Liabilities 2013 US\$'000	Outstanding notional amounts 2012 US\$'000	Assets 2012 US\$'000	Liabilities 2012 US\$'000
Current:						
Cross-currency interest rate swaps	63,967	-	(415)	259,502	9,858	-
Interest rate swaps	145,276	-	(5,142)	180,446	-	(8,681)
Interest rate caps	697,761	722	-	831,284	932	-
		722	(5,557)		10,790	(8,681)
Non-current:						
Cross-currency interest rate swaps	306,838	-	(5,390)	63,967	1,537	-
		-	(5,390)		1,537	-
		722	(10,947)		12,327	(8,681)

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.

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

Cash flow hedges

The Group borrows at floating interest rates pegged to LIBOR. Interest rate risk exposure arises when the Group collects fixed rate rentals to pay interest accruing under the related borrowings at floating rates. As at the balance sheet date, the Group has the following interest rate swap contracts in place to hedge the exposure to changes in interest rates whereby the Group pays fixed rate and receives floating rate on a notional amount on a quarterly to half yearly basis:

Group					
31 December 2013					
	Notional amount		Fixed rate range		Fair value
Product type	Initial amount US\$'000	As at 31.12.2013 US\$'000	From %	To %	liability US\$'000
Interest rate swap	31,826	24,225	2.54	2.54	(205)
31 December 2012					
	Notional amount		Fixed rate range		Fair value
Product type	Initial amounts US\$'000	As at 31.12.2012 US\$'000	From %	To %	liability US\$'000
Interest rate swaps	109,734	83,183	2.07	2.57	(1,712)

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

30. Derivative financial instruments (continued)

Cash flow hedges (continued)

The terms of the interest rate swap contracts have been negotiated to match the terms of the loans and accordingly, the cash flow hedges were assessed to be highly effective. The ineffective portion, if any, has been recognised in the income statement.

The fair value of the above financial derivatives for the Group as at 31 December 2013 amounted to US\$0.2 million (2012: US\$1.7 million) has been recognised in the balance sheet as a financial liability. A fair value gain of US\$1.5 million (2012: US\$0.9 million) relating to the above financial derivatives was credited in the hedging reserve.

Company

31 December 2012

Product type	Notional amount		Fixed rate %	Fair value liability US\$'000
	Initial amount US\$'000	As at 31.12.2012 US\$'000		
Interest rate swap	33,666	27,861	2.07	(717)

There was no financial derivative for the Company as at 31 December 2013 (2012: US\$0.7 million had been recognised in the balance sheet as a financial liability). During the year, fair value gain of US\$0.7 million (2012: US\$0.1 million) relating to the above financial derivative was credited in the hedging reserve.

31. Cash and cash equivalents

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

	Note	Group	
		2013 US\$'000	2012 US\$'000
Fixed deposits	18	455,435	585,977
Cash and bank balances	19	45,794	27,576
		501,229	613,553

Effect of disposal of subsidiary companies on the cash flows of the Group

On 13 December 2013, the Company disposed of its entire interest in Dolphin Leasing (Ireland) Limited and Penguin Leasing (Ireland) Limited for a total cash consideration of US\$4,545.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

32. Share capital

	Group and Company			
	No. of shares 2013 '000	2013 US\$'000	No. of shares 2012 '000	2012 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.

33. Hedging reserve

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

	Group		Company	
	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
At beginning of year	(1,712)	(2,576)	(717)	(835)
Net change in the reserve	1,507	864	717	118
At end of year	(205)	(1,712)	-	(717)

34. Dividends

During the year, the Company declared and paid a dividend of US\$113 million to its sole shareholder (2012: US\$ Nil).

Subsequent to year end, the Company proposed a dividend of US\$139 million to its sole shareholder in respect of year ended 31 December 2013, payable in 2014.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2013***35. Related party transactions**

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

	Group	
	2013	2012
	US\$'000	US\$'000
<i>Income and expense</i>		
(a) Intermediate holding company:		
Interest income	2,269	935
Interest expense	(9,339)	(11,996)
(b) Other related parties:		
Interest expense	(11,483)	(8,249)

	Group	
	2013	2012
	US\$'000	US\$'000
<i>Directors' and key executives' remuneration of the Company paid during the year</i>		
(a) Directors (of the Company)		
Salary, fees, bonuses and other costs	6,806	6,804
(b) Key executives (excluding executive directors)		
Salary, bonuses and other costs	9,611	10,015
CPF and other defined contributions	7	8
	9,618	10,023

As at 31 December 2013, an amount of US\$16.2 million (2012: US\$22.7 million) of deferred bonus is payable to directors and key executives of the Company in year 2014 to 2015 (2012: year 2013 to 2015).

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2013***36. Commitments***(a) Operating lease commitments**(i) Operating lease commitments - As lessor***Aircraft**

The Group leases its aircraft under operating lease agreements that are non-cancellable, which expire between 2014 and 2028 (2012: 2013 and 2025).

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

	Group		Company	
	2013	2012	2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000
Within one year	870,403	687,114	384,468	303,060
After one year but not more than five years	3,146,525	2,466,323	1,452,967	1,149,394
After five years	2,532,504	1,795,720	1,289,520	972,729
	<u>6,549,432</u>	<u>4,949,157</u>	<u>3,126,955</u>	<u>2,425,183</u>

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

	Group		Company	
	2013	2012	2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000
Within one year	78,696	141,553	28,529	52,842
After one year but not more than five years	755,576	1,235,857	238,762	419,322
After five years	1,193,995	2,262,727	360,491	728,036
	<u>2,028,267</u>	<u>3,640,137</u>	<u>627,782</u>	<u>1,200,200</u>

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

36. Commitments (continued)

(a) Operating lease commitments (continued)

(ii) Operating lease commitments - As lessee

Offices

The Company leases head-office space under a lease agreement which expires on 30 September 2016. It has a lease agreement with a service provider in the United Kingdom to provide meeting facilities, which expires on 31 May 2014.

One subsidiary company leases office space in the United States under a lease agreement that is non-cancellable within the two-year lease. The lease expires on 30 June 2015. Another subsidiary company leases office space in Ireland under a lease agreement which expires on 31 December 2015.

There are no purchase options granted for the offices. There are no restrictions placed upon the Group and Company by entering into the leases.

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

	Group		Company	
	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Within one year	2,091	901	1,959	812
After one year but not more than five years	3,648	-	3,520	-
	<u>5,739</u>	<u>901</u>	<u>5,479</u>	<u>812</u>

(b) Capital expenditure commitments

As at 31 December 2013, the Group has committed to purchase various aircraft delivering between 2014 and 2019. The remaining commitment under the Group's order, net of progress payments made to date, is approximately US\$10,230 million (2012: US\$10,239 million) based on manufacturers' list prices including assumed escalation to delivery.

As at 31 December 2013, the Group has committed to US\$759.3 million (2012: US\$1,516.4 million) of purchase and leaseback transactions. These transactions are expected to take place in 2014 and 2015.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

36. Commitments (continued)

(c) Finance lease commitments

(i) Finance lease commitments - As lessee

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

Finance lease with third parties:

Note	Group and Company			
	Minimum lease payments 2013 US\$'000	Present value of payments 2013 US\$'000	Minimum lease payments 2012 US\$'000	Present value of payments 2012 US\$'000
Within one year	7,830	6,615	7,390	6,347
After one year but not more than five years	55,858	52,910	31,125	28,196
More than five years		-	31,542	31,329
Total minimum lease payments	63,688	59,525	70,057	65,872
Less: Amounts representing finance charges	(4,163)	-	(4,185)	-
Present value of minimum lease payments	25	59,525	65,872	65,872

Finance lease with its subsidiary companies:

Note	Company			
	Minimum lease payments 2013 US\$'000	Present value of payments 2013 US\$'000	Minimum lease payments 2012 US\$'000	Present value of payments 2012 US\$'000
Within one year	168,602	126,840	126,392	103,337
After one year but not more than five years	569,610	456,970	552,456	485,869
More than five years	621,700	565,798	590,039	556,445
Total minimum lease payments	1,359,912	1,149,608	1,268,887	1,145,651
Less: Amounts representing finance charges	(210,304)	-	(123,236)	-
Present value of minimum lease payments	24	1,149,608	1,145,651	1,145,651

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

36. Commitments (continued)

(c) Finance lease commitments (continued)

(ii) Finance lease commitments - As lessor

The Group previously leased aircraft to third parties under finance leases with maturity dates in 2016. These aircraft were repossessed and subsequently sold during the financial year.

Finance lease with third parties:

	Minimum lease receivables 2013 US\$'000	Present value of receivables 2013 US\$'000	Group Minimum lease receivables 2012 US\$'000	Present value of receivables 2012 US\$'000
Within one year	-	-	6,980	5,738
After one year but not more than five years	-	-	17,860	16,438
Total minimum lease receivables	-	-	24,840	22,176
Less: Unearned finance income	-	-	(2,664)	-
Present value of minimum lease receivables	-	-	22,176	22,176

	2013 US\$'000	2012 US\$'000
The scheduled receivables of the finance lease are as follows:		
Finance lease receivables	-	22,176
Less: Current portion	-	(5,738)
Non-current portion	-	16,438

Finance lease with its subsidiary company:

	Minimum lease receivables 2013 US\$'000	Present value of receivables 2013 US\$'000	Company Minimum lease receivables 2012 US\$'000	Present value of receivables 2012 US\$'000
Within one year	8,417	5,717	-	-
After one year but not more than five years	42,875	35,544	-	-
More than five years	42,494	41,510	-	-
Total minimum lease receivables	93,786	82,771	-	-
Less: unearned finance income	(11,015)	-	-	-
Present value of minimum lease receivables	82,771	82,771	-	-

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

36. Commitments (continued)

(c) Finance lease commitments (continued)

(ii) Finance lease commitments - As lessor (continued)

Finance lease with its subsidiary company: (continued)

	2013 US\$'000	2012 US\$'000
The scheduled receivables of the finance lease are as follows:		
Finance lease receivables	82,771	-
Less: Current portion	(5,717)	-
Non-current portion	<u>77,054</u>	-

37. Contingent liabilities

(a) Asset value guarantees

The Company issues asset value guarantees which underwrite the value of certain aircraft at specific dates in the future. The Company assesses the risk of a claim under the guarantees using the same method as is used in assessment of impairment of assets in the Company's business generally.

The Company receives fees from the beneficiary on the issue of the guarantees, which are amortised to the income statement on a straight-line basis over the term of the guarantees, and may also have the opportunity to share in the values of the assets to the extent their sale proceeds exceed the guaranteed amounts.

As at year end, the Company's maximum liability which might arise in the future under the guarantees is US\$15.5 million. At the present time it is management's assessment that the liability arising under such guarantees will be US\$ Nil.

(b) Corporate guarantees for subsidiary companies

The Company has provided corporate guarantees for certain loans extended to its subsidiary companies by the banks and for obligation under certain lease agreements entered into by the subsidiary companies. As at 31 December 2013, the corporate guarantees amounted to approximately US\$4,028.9 million (2012: US\$4,004.1 million).

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

38. Classification of financial instruments and their fair values

All financial assets and liabilities, except as disclosed below, are carried at fair values or their carrying amounts are reasonable approximation of their fair values.

(a) *Financial instruments carried at fair values*

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

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

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

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

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

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

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			
	Carrying amounts		Fair values	
	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
SGD fixed rate deposit	-	10,221	-	10,243
SGD fixed rate loan	-	(10,221)	-	(10,243)
Medium Term Notes	1,048,740	497,726	994,511	495,490

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

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 Board of Directors reviews and agrees policies for managing each of these risks. The following sections provide details regarding the Group's and Company's exposure to financial risks and the objectives, policies and processes for the management of these risks.

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

(a) Interest rate risk

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

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

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

A significant portion of the Group's financial assets and liabilities are based on floating interest rates pegged to USD LIBOR and are contractually repriced at intervals of less than 12 months (2012: less than 12 months) from the balance sheet date.

The Group's policy is to hedge at least 50% (2012: 50%) of its mismatched interest rate exposure through appropriate interest rate financial derivative instruments and borrowing fixed rate debts. At the balance sheet date, the Group has hedged approximately 96% (2012: 93%) of the Group's mismatched interest rate exposure.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2013***39. Financial risk management objectives and policies (continued)***(a) Interest rate risk (continued)*Sensitivity analysis for interest rate risk

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

- Changes in interest rates affect the interest income or finance expenses of variable interest financial instruments which include floating rate loans and deposits.
- 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 balance sheet date.

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

Under these assumptions, an increase in interest rate of 10 basis points (2012: 25 basis points) or a decrease in interest rates of 10 basis points (2012: 15 basis points) for all currencies for which the Group has variable interest financial instruments at balance sheet date, with all other variables held constant, will have the following effect on the Group's profit net of tax and the Group's hedging reserve in equity. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment.

		Group	
	Basis points	Effect on profit net of tax US\$'000	Effect on hedging reserve in equity US\$'000
2013			
- Increase in interest rate	+10	792	1
- Decrease in interest rate	-10	(934)	-
2012			
- Increase in interest rate	+25	1,264	183
- Decrease in interest rate	-15	(69)	(98)

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. Financial risk management objectives and policies (continued)

(b) Liquidity risk

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

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

As at 31 December 2013, the Group had unutilised unsecured committed revolving credit facilities of US\$2,335 million (2012: US\$2,225 million).

The Company also had committed long term revolving credit facilities pending the provision of a new aircraft as collateral of US\$123.9 million (2012: US\$174.6 million).

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

At the balance sheet date, approximately 10% (2012: 15%) of the Group's gross debt, comprising loans and borrowings and finance lease payables, will mature in less than one year.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted repayments obligations.

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	1 year or less US\$'000	Between 1 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
Group				
2012				
Financial liabilities				
Trade payables	35,191	-	-	35,191
Other payables	90,400	-	-	90,400
Loans and borrowings	976,103	3,443,524	2,042,539	6,462,166
Estimated interest payments	90,073	314,837	60,776	465,686
Finance lease payables	6,347	28,197	31,328	65,872
Security deposits	16,563	101,163	149,091	266,817
Estimated net swap payments	3,018	5,514	-	8,532
Other non-current liabilities	-	27,203	-	27,203
Total undiscounted financial liabilities	1,217,695	3,920,438	2,283,734	7,421,867
	1 year or less US\$'000	Between 1 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
Company				
2013				
Financial liabilities				
Trade payables	21,201	-	-	21,201
Other payables	91,112	-	-	91,112
Loans and borrowings	213,641	1,583,782	1,536,479	3,333,902
Estimated interest payments	82,839	270,387	130,739	483,965
Finance lease payable to subsidiaries companies	126,840	456,970	565,798	1,149,608
Finance lease payables	6,615	52,910	-	59,525
Security deposits	15,278	64,550	65,971	145,799
Estimated net swap payments	3,200	2,551	-	5,751
Other non-current liabilities	-	16,985	-	16,985
Total undiscounted financial liabilities	560,726	2,448,135	2,298,987	5,307,848

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	1 year or less US\$'000	Between 1 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
Company				
2012				
Financial liabilities				
Trade payables	15,194	-	-	15,194
Other payables	79,119	-	-	79,119
Loans and borrowings	434,236	1,447,521	576,261	2,458,018
Estimated interest payments	35,041	129,044	40,212	204,297
Finance lease payable to subsidiaries companies	103,337	485,869	556,445	1,145,651
Finance lease payables	6,347	28,197	31,328	65,872
Security deposits	4,813	59,847	127,677	192,337
Estimated net swap payments	3,018	5,514	-	8,532
Other non-current liabilities	-	24,486	-	24,486
Total undiscounted financial liabilities	681,105	2,180,478	1,331,923	4,193,506

Asset value guarantees

The maximum liability which might arise in the future under the asset value guarantees is US\$15.5 million (2012: US\$15.5 million).

Corporate guarantees

The maximum amount of corporate guarantees provided by the Company to the banks on bank loans taken up by subsidiary companies as at balance sheet date was US\$4,028.9 million (2012: US\$4,004.1 million).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. Financial risk management objectives and policies (continued)

(c) Credit risk

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

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

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

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

(i) Exposure to credit risk

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

- the carrying amount of each class of financial assets recognised in the balance sheets, including derivatives with positive fair values; and
- nominal amounts of approximately US\$4,028.9 million (2012: US\$4,004.1 million) relating to corporate guarantees provided by the Company to the banks on bank loans taken up by subsidiary companies, and also in certain lease agreements entered into by subsidiary companies.

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2013***39. Financial risk management objectives and policies (continued)***(c) Credit risk (continued)***(ii) Credit risk concentration profile**

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

	2013		2012	
	US\$'000	% of total	US\$'000	% of total
Group				
By region:				
Europe and Africa	27	3	327	3
China	-	-	4,040	41
Asia Pacific	807	97	4,733	48
USA	-	-	821	8
	<u>834</u>	<u>100</u>	<u>9,921</u>	<u>100</u>
Less: Allowance for impairment	<u>(779)</u>		<u>(779)</u>	
	<u>55</u>		<u>9,142</u>	

At the balance sheet date, approximately 93% (2012: 75%) of the Group's trade receivables before allowance for impairment were due from one (2012: four) airline lessee located in India (2012: China and India).

As at 31 December 2013 and 2012, none of the lessees represent more than 10% of total monthly lease rental income.

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

Trade and other receivables and finance lease receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

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

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

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. Financial risk management objectives and policies (continued)

(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.

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

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

40. Capital management

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

The Group manages its capital structure and makes adjustments to it after taking into account its capital expenditure and financing requirements. To maintain or adjust the capital structure, the Group may request for additional capital from the shareholder, adjust dividend payment to the shareholder or return capital to the shareholder. No changes were made in the objectives, policies or processes during the year ended 31 December 2013 and 31 December 2012.

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

	Group	
	2013 US\$'000	2012 US\$'000
Gross debt	7,422,346	6,528,038
Total equity	1,926,632	1,761,064
Gearing (times)	3.85	3.71

BOC AVIATION PTE. LTD. AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

41. New or revised accounting standards and interpretations

Below are the mandatory standards and amendments to existing standards that have been published, and are relevant for the Group's accounting periods commencing on their effective dates as indicated below and which the Group has not early adopted:

- FRS 27 (revised 2012) Separate Financial Statements and FRS 110 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)

The management anticipates that the adoption of the above FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

42. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of BOC Aviation Pte. Ltd. on 20 March 2014.