

REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
FOR
AIRCRAFT CAPITAL LIMITED

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for the year ended 31 December 2013

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AIRCRAFT CAPITAL LIMITED

COMPANY INFORMATION
for the year ended 31 December 2013

DIRECTORS:

J P M Schlatmann
A-B Tieleman
B Brouns
R N Arthur

REGISTERED OFFICE:

5th Floor
6 St Andrew Street
London
EC4A 3AE

REGISTERED NUMBER:

02496522 (England and Wales)

**SENIOR STATUTORY
AUDITOR:**

Stephanie Beavis

AUDITORS:

KPMG LLP
6 Lower Brook Street
Ipswich
IP4 1AP

REPORT OF THE DIRECTORS
for the year ended 31 December 2013

The directors present their directors' report and audited consolidated financial statements for the group for the year ended 31 December 2013.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2013 (2012 - €nil).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2013 to the date of this report.

J P M Schlatmann
A-B Tieleman
B Brouns
R N Arthur

The directors in office at 31 December 2013 did not have any disclosable interest in the shares of Aircraft Capital Limited or any other group company other than J P M Schlatmann and A-B Tieleman who both maintain an indirect interest as a result of 50% and 25% shareholdings respectively in GA-Finance b.v., incorporated in the Netherlands, the ultimate parent undertaking.

POLITICAL CONTRIBUTIONS

The group made no political donations or incurred any political expenditure during the year (2012 - €nil).

CHANGE OF NAME

On 26 March 2014, a subsidiary company passed a special resolution changing its name from KLM Amsterdam Limited to Aircraft Capital Leasing A Limited.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

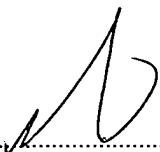
The directors who held office at the date of approval of this report of the directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

REPORT OF THE DIRECTORS
for the year ended 31 December 2013

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

BY ORDER OF THE BOARD:

A handwritten signature in black ink, appearing to be 'R N Arthur', is written over a horizontal dotted line.

R N Arthur - Director

Date: 24 September 2014

STRATEGIC REPORT
for the year ended 31 December 2013

The directors present their strategic report and audited consolidated financial statements for the group for the year ended 31 December 2013.

PRINCIPAL ACTIVITY

The group's principal business activity is the leasing out of aircraft.

REVIEW OF BUSINESS

The directors do not currently anticipate any change in the groups business or activities for the future.

During the year the group has generated a loss of €3,640,000 (2012: €563,000) and operating cash inflows of €9,196,000 (2012: €7,912,000). The results for the year were affected by non-recurring impairment charges on tangible fixed assets of €4,421,000 (2012: €nil), partially offset by receipts under a deficiency agreement of €2,229,000 (2012: €nil), as described below. As the outstanding finance lease and loan creditors, and related interest charges, decline over coming years the group is expected to begin generating profitable trading results.

PRINCIPAL RISKS AND UNCERTAINTIES

The group operates in a difficult market of limited scale leasing activities. Due to the straight forward nature of the group, the group directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the group.

The group is exposed to the risks associated with identifying suitable lessees for the group's aircraft, at financially viable rentals, and the associated risk of default by lessees. The group's activities also expose it to the financial risks of changes in foreign currency exchange rates. This is managed on a group basis and the group does not enter into forward contracts or hedging arrangements.

Liquidity risk is managed by actively monitoring the liquidity and cash flow position of the group to ensure it has sufficient cash in order to fund its activities.

SIGNIFICANT EVENTS

On 22 March 2013, a subsidiary company, Aircraft Capital Leasing I Limited, received notice from its sole lessee, Air Nostrum Lineas Aereas Del Mediterraneo S.A ("Air Nostrum") that the lease rental payments due in relation to the lease of the aircraft owned by the subsidiary company were to be suspended.

As a consequence of the non-payment by the lessee, the subsidiary company was in arrears on its bank financing arrangements and has technically defaulted on this agreement. As per the terms of the deficiency agreement dated 7 October 2011 between the subsidiary company and Investissement Quebec ("IQ"), should an event of default occur under the Lease Agreement, subject to certain conditions, IQ, as agent and on behalf of the Government of the Province of Québec is obliged to cure such event of default by way of payment to the company of its intention to make the required deficiency payment as per the terms of the Deficiency Agreement. On 23 December 2013, IQ transferred funds of USD 2,960,506.

On 23 September 2013, the subsidiary company, Aircraft Capital Leasing I Limited's board of directors (the "Board") proposed that the subsidiary company enter into a letter of intent (the "LOI") to seek termination of the Lease Agreement. Negotiations then took place with a Danish Airline, Cimber A/S ("Cimber"), the new lessee, to sub-lease the aircraft from Air Nostrum until the end of 2013 at which point the sub lease would be terminated and the aircraft would be leased directly by the subsidiary company to Cimber.

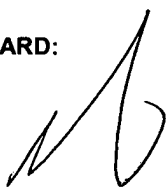
On 25 February 2014, the lease agreement between the subsidiary company and Air Nostrum was terminated. Further to negotiations, on the same date, the company has entered into a new lease agreement with Cimber A/S, a Danish airline, until 31 October 2016 with an option at lessee to early terminate on 31 March 2015. Therefore, the financial statements have been prepared on a going concern basis.

On 12 June 2014, the subsidiary company finalised its restructuring negotiations of its financing facility with RBS.

FUTURE DEVELOPMENTS

For 2014, the group expects to continue its current leasing activity and will look for possible options for extending its leasing activities.

BY ORDER OF THE BOARD:



.....
R N Arthur - Director

Date: 24 September 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
AIRCRAFT CAPITAL LIMITED

We have audited the financial statements of Aircraft Capital Limited for the year ended 31 December 2013 set out on pages 6 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

S Beavis

Stephanie Beavis (Senior Statutory Auditor)
for and on behalf of KPMG LLP
6 Lower Brook Street
Ipswich
IP4 1AP

Date: *25 September 2014*

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2013

	Notes	2013 €'000	2012 €'000
TURNOVER		10,610	8,429
Cost of sales		<u>(9,777)</u>	<u>(5,176)</u>
GROSS PROFIT		833	3,253
Administrative expenses		<u>(1,484)</u>	<u>(733)</u>
OPERATING (LOSS)/PROFIT	3	(651)	2,520
Interest payable and similar charges	4	<u>(2,887)</u>	<u>(3,083)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,538)	(563)
Tax on loss on ordinary activities	5	<u>(102)</u>	-
LOSS FOR THE FINANCIAL YEAR FOR THE GROUP		<u>(3,640)</u>	<u>(563)</u>

CONTINUING OPERATIONS

The results for the year are derived from continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2013

	2013 €'000	2012 €'000
LOSS FOR THE FINANCIAL YEAR	(3,640)	(563)
Gain on FX translation	<u>118</u>	<u>3</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>(3,522)</u>	<u>(560)</u>

CONSOLIDATED BALANCE SHEET
31 December 2013

	Notes	2013 €'000	2012 €'000
FIXED ASSETS			
Tangible assets	7	<u>57,543</u>	<u>67,429</u>
CURRENT ASSETS			
Debtors	9	1,044	789
Cash at bank		<u>1,344</u>	<u>933</u>
		2,388	1,722
CREDITORS			
Amounts falling due within one year	10	<u>(8,140)</u>	<u>(4,792)</u>
NET CURRENT LIABILITIES		<u>(5,752)</u>	<u>(3,070)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		51,791	64,359
CREDITORS			
Amounts falling due after more than one year	11	<u>(55,126)</u>	<u>(64,172)</u>
NET (LIABILITIES)/ASSETS		<u><u>(3,335)</u></u>	<u><u>187</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Profit and loss account	15	<u>(3,335)</u>	<u>187</u>
SHAREHOLDERS' FUNDS	17	<u><u>(3,335)</u></u>	<u><u>187</u></u>

The financial statements were approved by the Board of Directors on 24 September 2014 and were signed on its behalf by:

.....
R N Arthur- Director

COMPANY BALANCE SHEET
31 December 2013

	Notes	2013 €'000	2012 €'000
FIXED ASSETS			
Tangible assets	7	-	-
Investments	8	<u>984</u>	<u>984</u>
		<u>984</u>	<u>984</u>
CURRENT ASSETS			
Debtors	9	595	769
Cash at bank		<u>90</u>	<u>95</u>
		685	864
CREDITORS			
Amounts falling due within one year	10	<u>(909)</u>	<u>(900)</u>
NET CURRENT LIABILITIES		<u>(224)</u>	<u>(36)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>760</u>	<u>948</u>
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Profit and loss account	15	<u>760</u>	<u>948</u>
SHAREHOLDERS' FUNDS	17	<u>760</u>	<u>948</u>

The financial statements were approved by the Board of Directors on 24 September 2014 and were signed on its behalf by:


.....
R N Arthur - Director

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2013

	Notes	2013 €'000	2012 €'000
Net cash inflow from operating activities	1	9,196	7,912
Returns on investments and servicing of finance	2	(2,887)	(3,083)
		6,309	4,829
Financing	2	(5,898)	(4,535)
Increase in cash in the period		<u>411</u>	<u>294</u>

Reconciliation of net cash flow to movement in net debt	3		
		2013 €'000	2012 €'000
Increase in cash in the period after financing		411	294
Cash outflow from decrease in debt and lease financing		<u>5,898</u>	<u>4,519</u>
Change in net debt resulting from cash flows		6,309	4,813
Foreign exchange		<u>180</u>	-
Movement in net debt in the period		6,489	4,813
Net debt at 1 January		<u>(66,846)</u>	<u>(71,659)</u>
Net debt at 31 December		<u>(60,357)</u>	<u>(66,846)</u>

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2013**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013	2012
	€'000	€'000
Operating (loss)/profit	(651)	2,520
Depreciation and impairment charges	9,585	5,176
Gain on FX translation	224	129
Exchange on loan balances	(27)	-
Increase in debtors	255	107
(Decrease) in creditors	(190)	(20)
Net cash inflow from operating activities	<u>9,196</u>	<u>7,912</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2013	2012
	€'000	€'000
Returns on investments and servicing of finance		
Interest paid	(2,887)	(3,083)
Net cash outflow for returns on investments and servicing of finance	<u>(2,887)</u>	<u>(3,083)</u>
Financing		
Loan repayments in year	(2,193)	(981)
Capital repayments in year	(3,705)	(3,538)
Amounts owed to related undertakings	-	(16)
Net cash outflow from financing	<u>(5,898)</u>	<u>(4,535)</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.13	Cash flow	Foreign exchange	At
	€'000	€'000	€'000	31.12.13
				€'000
Net cash:				
Cash at bank	<u>933</u>	<u>411</u>	-	<u>1,344</u>
	<u>933</u>	<u>411</u>	-	<u>1,344</u>
Debt:				
Finance leases	(61,760)	3,705	-	(58,055)
Debts falling due within one year	(888)	(2,938)	180	(3,646)
Debts falling due after one year	<u>(5,131)</u>	<u>5,131</u>	-	-
	<u>(67,779)</u>	<u>5,898</u>	<u>180</u>	<u>(61,701)</u>
Total	<u>(66,846)</u>	<u>6,309</u>	<u>180</u>	<u>(60,357)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2013**

1. ACCOUNTING POLICIES

Accounting convention

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Report of the Directors and Strategic Report on pages 2 to 4. The directors have considered the factors that impact the group's future development, performance, cash-flows and financial position along with current liquidity, in forming their opinion on the going concern status.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Going concern

Projections from 31 December 2013, prepared by the directors, for the next three and five years, including sensitivity analysis on key assumptions made, anticipates positive operating cash-flows. The directors therefore have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

On 22 March 2013, a subsidiary company, Aircraft Capital Leasing I Limited, received notice from its sole lessee, Air Nostrum Lineas Aereas Del Mediterraneo S.A ("Air Nostrum") that the lease rental payments due in relation to the lease of the aircraft owned by the subsidiary company were to be suspended although the lessee continues to operate the aircraft.

On 25 February 2014, the lease agreement between the subsidiary company and Air Nostrum was terminated. Further to negotiations, on the same date, the company has entered into a new lease agreement with Cimber A/S, a Danish airline, until 31 October 2016 with an option at lessee to early terminate on 31 March 2015.

The subsidiary company, Aircraft Capital Leasing I Limited, has prepared financial projections from 31 December 2013, including sensitivity analysis on key assumptions made, which anticipate positive operating cash-flows assuming resolution of the above lessee default. The directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the financial statements have been prepared on a going concern basis.

Functional currency

The financial statements are presented in Euros, the functional currency of the company.

On consolidation, the assets and liabilities of the group's overseas operations are translated at exchange rates prevailing at the balance sheet date. Income and expenses are translated at the average exchange rates for the year.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2013. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Investments

Investments in subsidiary undertakings are stated at cost less amounts written off.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Aircraft and related engines 4 - 10 years

Additional depreciation is charged to reduce the carrying value of specific assets to their recoverable amount where impairment is considered to have occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 December 2013

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases and lease income as lessor

Lease rentals receivable are credited to the profit and loss account on a straight line basis over the period of the lease.

Lease rentals payable are charged to the profit and loss account on a straight line basis over the period of the lease.

Where fixed assets are financed by leasing agreements which transfer to the company substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit. Assets held under finance leases are depreciated over the shorter of the lease terms and the estimated useful lives.

Turnover

Turnover derives from operating leases of aircrafts. Lease income is recognised over the lease term on a straight-line basis. Incentives for the agreement of a new or renewed operating leases are recognised as a reduction of the rental income over the lease term, irrespective of the incentives nature or form, or the timing of payments.

Taxation

The charge for taxation is based on the loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

2. DIRECTORS' EMOLUMENTS

There were no employees during the year (2012 - nil).

No directors received any remuneration from or in respect of the group or the company during the year (2012 - €nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 December 2013**3. OPERATING (LOSS)/PROFIT**

The operating (Loss)/profit is stated after charging:

	2013 €'000	2012 €'000
Impairment of owned tangible fixed assets	4,421	-
Depreciation of owned tangible fixed assets	893	905
Depreciation of leased tangible fixed assets	4,271	4,271
Exchange (loss)/gain	(60)	8
Bad debts	633	-
Auditors' remuneration		
-Audit of these financial statements	17	12
-Other services relating to taxation	21	30

The analysis of the groups turnover by geographical area was, 96.91% to the rest of Europe and 3.09% to Australia.

Included within turnover is the amount of €2,229,095 (USD 2,960,506) received by the subsidiary company, Aircraft Capital Leasing I Limited, in respect of a deficiency agreement that occurred due to the default of a lease agreement.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 €'000	2012 €'000
Interest on finance lease	2,662	2,830
Mortgage	202	229
Interest payable to related undertaking	23	24
	<u>2,887</u>	<u>3,083</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 December 2013**5. TAXATION****Analysis of the tax charge/(credit)**

The tax charge/(credit) on the loss on ordinary activities for the period was as follows:

	2013 €'000	2012 €'000
Current tax:		
UK Corporation Tax	-	-

UK corporation tax has been charged at 23.25% (31 Dec 2012 - 24.5%)

Factors affecting the tax charge/(credit)

The tax assessed is higher (31 Dec 2012 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2013 €'000	2012 €'000
Loss on ordinary activities before tax	(3,538)	(563)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (31 Dec 2012 - 24.5%)	(823)	(138)
Effects of:		
Tax losses not utilised	(37)	166
Capital allowances for period less than/(in excess of) depreciation	1,050	(35)
Non-deductible expenditure	-	7
Difference in overseas tax rates	(88)	-
	102	-

Factors that may affect future tax charges

At 31 December 2013 there are accumulated losses of €25,065 (31 Dec 2012 - €35,309) available to the company. Additional accumulated losses available to the group for set off against profits of the same trade which are estimated at €36.18m (31 Dec 2012 - €36.29m). In addition there is €5.51m (31 Dec 2012 - €7.92m) of depreciation charged in excess of capital allowances claimed. A deferred tax asset of €5.83m (31 Dec 2012 - €10.18m) has not been recognised due to the uncertainty of the future profit stream of the company.

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. These will reduce the company's future current tax charge accordingly. The unrecognised deferred tax asset at 31 December 2013 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's deferred tax asset accordingly.

6. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the year was €188,333 (31 Dec 2012 - €23,115 loss).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 December 2013****7. TANGIBLE FIXED ASSETS****Group**

	Plant and machinery €'000
COST	
At 1 January 2013	78,686
Exchange differences	<u>(345)</u>
At 31 December 2013	<u>78,341</u>
DEPRECIATION	
At 1 January 2013	11,257
Charge for year	5,164
Impairment for year	4,421
Exchange differences	<u>(44)</u>
At 31 December 2013	<u>20,798</u>
NET BOOK VALUE	
At 31 December 2013	<u>57,543</u>
At 31 December 2012	<u>67,429</u>

Aircraft Capital Leasing A Limited had assets held under a finance lease with a net book value at 31 December 2013 of €55,240,020 (31 Dec 2012 - €59,511,409). The depreciation charge for the year on this asset amounted to €4,271,388 (31 Dec 2012 - €4,271,388).

Air Nostrum transferred two aircraft engines to the subsidiary, Aircraft Capital Leasing I Limited, on 25 February 2014, with a market value of EUR 290,487 (USD 400,000).

8. FIXED ASSET INVESTMENTS**Company**

	Shares in group undertakings €'000
COST	
At 1 January 2013 and 31 December 2013	<u>984</u>
NET BOOK VALUE	
At 31 December 2013	<u>984</u>
At 31 December 2012	<u>984</u>

The group or the company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiaries**Aircraft Capital Leasing A Limited (previously KLM Amsterdam Limited)**

Country of incorporation: England and Wales

Nature of business: Aircraft Leasing

Class of shares:	%
Ordinary	holding 100.00

The above subsidiary is consolidated within these group accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 December 2013

8. FIXED ASSET INVESTMENTS - continued

Aircraft Capital Leasing I Limited

Country of incorporation: Ireland

Nature of business: Aircraft leasing

Class of shares:	% holding
Ordinary	100.00

The above subsidiary is consolidated within these group accounts.

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	€'000	€'000	€'000	€'000
Trade debtors	413	35	-	-
Amounts owed by group undertakings	-	-	595	769
Other debtors	-	1	-	-
Prepayments and accrued income	631	753	-	-
	<u>1,044</u>	<u>789</u>	<u>595</u>	<u>769</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	€'000	€'000	€'000	€'000
Other loans (see note 12)	3,646	888	-	-
Finance leases (see note 13)	3,873	3,706	-	-
Trade creditors	5	40	2	3
Amounts owed by group undertakings	-	-	898	891
Corporation tax	98	-	-	-
Other creditors	135	-	-	-
Accruals and deferred income	383	158	9	6
	<u>8,140</u>	<u>4,792</u>	<u>909</u>	<u>900</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	
	2013	2012
	€'000	€'000
Other loans (see note 12)	-	5,131
Finance leases (see note 13)	54,182	58,054
Amounts owed to related undertakings	882	922
Other creditors	62	65
	<u>55,126</u>	<u>64,172</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 December 2013

12. LOANS

	Group	
	2012 €'000	2012 €'000
Amounts falling due within one year or on demand:		
Other loans	<u>3,646</u>	<u>888</u>
Amounts falling due between two and five years:		
Other loans	<u>-</u>	<u>5,131</u>

The loan has been made to a subsidiary company and is secured on the assets and shares of that company.

Due to a suspension in loan repayments in the year, arising from the termination of the Air Nostrum lease, the bank loan was in technical default at the period end. As a result the full loan balance has been presented as due within one year at 31 December 2013. Restructuring of the loan was finalised in June 2014.

13. OBLIGATIONS UNDER LEASING AGREEMENTS

Group

	Finance leases	
	2013 €'000	2012 €'000
Net obligations repayable:		
Within one year	3,873	3,706
Between one and five years	22,152	16,570
In more than five years	<u>32,030</u>	<u>41,484</u>
	<u>58,055</u>	<u>61,760</u>

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2013 €	2012 €
6	Ordinary	GBP£1	7	7
4	Ordinary	GBP£1	<u>4</u>	<u>4</u>
			<u>11</u>	<u>11</u>

The above called up share capital relates to both the group and the company.

15. RESERVES

Group

	Profit and loss account €'000
At 1 January 2013	187
Loss for the year	(3,640)
Loss on FX translation	<u>118</u>
At 31 December 2013	<u>(3,335)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 December 2013

15. RESERVES - continued

Company

	Profit and loss account €'000
At 1 January 2013	948
Loss for the year	(188)
At 31 December 2013	<u>760</u>

16. RELATED PARTY DISCLOSURES

The director R N Arthur, is also a director of TMF Management (UK) Limited, which provided professional, accounting and administration services to the company and charged the company €26,711 (31 Dec 2012 - €38,327) for its services during the year. No amounts were due at 31 December 2013 (31 Dec 2012 - €nil). Aircraft Capital Leasing A Limited (formerly KLM Amsterdam Limited), was charged €21,392 (31 Dec 2012 - €33,774) by TMF Management (UK) Limited for its services during the year. No amounts were due at 31 December 2013 (31 Dec 2012 - €nil).

The directors, J P M Schlatmann and A-B Tieleman, are also directors of General Asset-Finance Services b.v., which provided management services to Aircraft Capital Leasing A Limited (formerly KLM Amsterdam Limited) and charged €90,000 (31 Dec 2012 - €90,000) for its services during the year. No amounts were due at 31 December 2013 (31 Dec 2012 - €nil). Aircraft Capital Leasing I Limited was also charged €89,886 (31 Dec 2012 - €89,971) by General Asset-Finance Services b.v. for its services during the year. No amounts were due at 31 December 2013 (31 Dec 2012 - €nil). At 31 December 2012 Aircraft Capital Leasing I Limited owed €283,224 (31 Dec 2012 - €296,015) to General Asset-Finance Services b.v., a group undertaking. Interest of 8% per annum, based on the actual number of days elapsed, a 30 day month and 360 day year, of €23,492 (31 Dec 2012 - €24,065) was payable for the year ended 31 December 2013 and is included in the amount owed.

During the year the group made sales to KLM Royal Dutch Airlines, a shareholder, of €6,859,983 (31 Dec 2012 - €6,859,983). At 31 December 2013, €123,000 (31 Dec 2012 - €nil) was owed from KLM Royal Dutch Airlines and €599,129 (USD \$825,000) was held on deposit from KLM Royal Dutch Airlines at the balance sheet date (31 Dec 2012 - €626,186 (USD \$825,000)).

Included within the profit for the year of the company was interest received of €60,236 (31 Dec 2012 - €64,080) from its subsidiary undertaking, Aircraft Capital Leasing I Limited.

At 31 December 2013 the company owed €897,980 (31 Dec 2012 - €891,347) to its subsidiary undertaking, Aircraft Capital Leasing A Limited (formerly KLM Amsterdam Limited).

At 31 December 2013 the company was owed €595,734 (31 Dec 2012 - €769,012) from its subsidiary undertaking Aircraft Capital Leasing I Limited. During the year a provision of €198,278 (31 Dec 2012 - €nil) was made for a bad debt.

ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH THE COMPANY IS A MEMBER

At 31 December 2013 the directors considered the company's ultimate parent undertaking to be GA-Finance b.v., which is registered in the Netherlands.

The directors also consider that this is the largest group for which group accounts including Aircraft Capital Limited are drawn up.

The financial statements of the company and its group can be obtained from 5th Floor, 6 St Andrew Street, London, EC4A 3AE.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2013	2012
	€'000	€'000
Loss for the financial year	(3,640)	(563)
Gain on FX translation	118	3
Net reduction of shareholders' funds	(3,522)	(557)
Opening shareholders' funds	187	744
Closing shareholders' funds	(3,335)	187

Company

	2013	2012
	€'000	€'000
(Loss) for the financial year	(188)	(23)
Net addition/(reduction) to shareholders' funds	(188)	(23)
Opening shareholders' funds	948	971
Closing shareholders' funds	760	948