

Registration number: 3780306

Omega Leasing Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016

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Omega Leasing Limited

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Omega Leasing Limited

Company Information

Directors	M Brady M A Garrett
Company secretary	R Johnson
Registered office	62 Buckingham Gate London SW1E 6AT
Auditors	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL

Omega Leasing Limited

Directors' Report for the Year Ended 31 December 2016

The Directors present their report and the financial statements for the year ended 31 December 2016.

Principal activities and review of business

All of the Company's business involves the leasing of commercial aero engines. The Company had an engine lease portfolio of 8 engines throughout the year (2015 - 8 engines).

Both the level of business and the year-end financial position were satisfactory and the Directors expect that the general level of activity will be sustained for the foreseeable future.

Financial review

The Company's profit for the year before taxation amounted to US\$396,756 (2015 - US\$1,104,324).

The proposed transfer to retained earnings is US\$549,756 (2015 - US\$987,324). The Directors declared no interim dividends for the year (2015 - US\$6,000 per ordinary share, total cost of dividends US\$600,000). They do not recommend payment of any further dividend.

Directors of the Company

The directors who held office during the year were as follows:

M Brady

M A Garrett

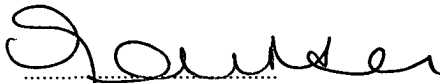
Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Small companies provision statement

This report has been prepared in accordance with the small companies regime under the Companies Act 2006.

Approved by the Board on 23 March 2017 and signed on its behalf by:



R Johnson
Company secretary

Omega Leasing Limited

Statement of Directors' Responsibilities in respect of the Directors Report and the Financial Statements

The directors are responsible for preparing 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 financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 company and of the profit or loss of the company for that period. In preparing these 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

Omega Leasing Limited

Independent Auditor's Report to the members of Omega Leasing Limited

We have audited the financial statements of Omega Leasing Limited for the year ended 31 December 2016, set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 auditor

As explained more fully in the Statement of Directors' Responsibilities in respect of the Directors' Report and Financial Statements (set out on page 3), 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 (APB'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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom 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 Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

Omega Leasing Limited

Independent Auditor's Report to the members of Omega Leasing Limited

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



.....
Craig Parkin (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
15 Canada Square
London
E14 5GL

23 March 2017

Omega Leasing Limited

Profit and Loss Account for the Year Ended 31 December 2016

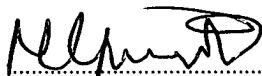
	Note	2016 \$	2015 \$
Turnover	3	5,730,200	5,730,200
Cost of sales		<u>(4,373,105)</u>	<u>(3,558,830)</u>
Gross profit		1,357,095	2,171,370
Administrative expenses		<u>(121,393)</u>	<u>(121,653)</u>
Operating profit		1,235,702	2,049,717
Other interest receivable and similar income	5	718,005	708,204
Interest payable and similar charges	6	<u>(1,556,951)</u>	<u>(1,653,597)</u>
Profit before tax		396,756	1,104,324
Taxation	9	<u>153,000</u>	<u>483,000</u>
Profit for the financial year		<u><u>549,756</u></u>	<u><u>1,587,324</u></u>

The above results were derived from continuing operations.

Omega Leasing Limited
(Registration number: 3780306)
Balance Sheet as at 31 December 2016

	Note	2016 \$	2015 \$
Fixed assets			
Tangible assets	11	32,307,877	36,680,982
Current assets			
Debtors (including \$1,735,670 (2015:\$1,735,670) due after more than one year)	12	23,447,424	23,447,424
Cash at bank and in hand		<u>4,026,138</u>	<u>2,776,358</u>
		27,473,562	26,223,782
Creditors: Amounts falling due within one year	13	<u>(39,953,925)</u>	<u>(3,819,863)</u>
Net current (liabilities)/assets		<u>(12,480,363)</u>	<u>22,403,919</u>
Total assets less current liabilities		19,827,514	59,084,901
Creditors: Amounts falling due after more than one year	13	-	(38,732,143)
Provisions for liabilities	9	<u>(5,368,000)</u>	<u>(6,443,000)</u>
Net assets		<u>14,459,514</u>	<u>13,909,758</u>
Capital and reserves			
Called up share capital	14	100	100
Retained earnings		<u>14,459,414</u>	<u>13,909,658</u>
Total equity		<u>14,459,514</u>	<u>13,909,758</u>

Approved and authorised by the Board on 23 March 2017 and signed on its behalf by:



M A Garrett

Director

Omega Leasing Limited

Statement of Changes in Equity for the Year Ended 31 December 2016

	Share capital \$	Retained earnings \$	Total \$
At 1 January 2016	100	13,909,658	13,909,758
Profit for the year	-	549,756	549,756
Total comprehensive income	-	549,756	549,756
At 31 December 2016	100	14,459,414	14,459,514
	Share capital \$	Retained earnings \$	Total \$
At 1 January 2015	100	12,922,334	12,922,434
Profit for the year	-	1,587,324	1,587,324
Total comprehensive income	-	1,587,324	1,587,324
Dividends	-	(600,000)	(600,000)
At 31 December 2015	100	13,909,658	13,909,758

The notes on pages 9 to 16 form an integral part of these financial statements.
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Omega Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

1 General information

The company is incorporated and domiciled in England and Wales.

The address of its registered office is:

62 Buckingham Gate

London

SW1E 6AT

England

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' as issued in August 2014. The presentation currency of these financial statements is U.S Dollars (\$).

Basis of preparation

These financial statements have been prepared using the historical cost convention.

Summary of disclosure exemptions

Cash flow statement exemption

The Company is exempt from the requirement of FRS102 Section 7 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Alpha Partners Leasing Limited and its cash flows are included within Alpha Partners Leasing Limited's consolidated cash flow statement.

Transactions with other group subsidiaries

As the entity is a wholly owned subsidiary of Alpha Partners Leasing Limited, the Company has taken advantage of the exception contained in FRS102 Section 33 and has, therefore, not disclosed transactions or balances with wholly owned subsidiaries which form part of the group..

Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee

Omega Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding net current liabilities of US\$12,480,363 as at 31 December 2016.

There is a related party loan with a balance of \$38 million included in current liabilities which is due to expire in July 2017. The Company is expected to receive certain back-end compensations at lease expiry in July 2017. The compensations, along with the loan to an affiliate due to be repaid in July and its existing resources will generate sufficient funds to meet the Company's current liability obligations in 2017.

The Directors have considered the application of the going concern basis of accounting and believe that, for the foreseeable future, the Company will have adequate resources to meet its liabilities as they fall due. In making this assessment, the Directors have considered the cash generation arising from future income and have put in place plans to refinance the loans expiring against the creditors, along with the necessary loan repayments within one year from the balance sheet date of 23 March 2017.

Turnover Recognition

Net income from operating leases is credited to the profit and loss account on a straight line basis over the term of the lease.

Foreign currency transactions and balances

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date at which they occurred. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rate ruling at the year-end. Exchange differences, including those arising from currency conversions in the usual course of trading, are taken into account in determining profit on ordinary activities before taxation.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible Fixed Assets

Tangible fixed assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible fixed assets includes directly attributable incremental costs incurred in their acquisition and installation.

Omega Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

Depreciation

Assets held for operating leases are depreciated on a straight line basis from the time that they are first brought into use so as to write off their cost, less estimated residual value, over the lesser of:

- i) the period up to the 25th anniversary of the engine being first delivered to an airline, or purchased for lease by the Company; and
- ii) the anticipated remaining useful life of the airframe for which the engine is designed.

However, if a used engine is acquired with a lease attached that goes beyond the 25th anniversary of the engine being first delivered to an airline, then the useful economic life is re-evaluated and is used as the basis to amortise the cost to an estimated residual value. This is typically an additional 5 to 10 years beyond the engine's 25th anniversary.

Impairment

The Company reviews its long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2016	2015
	\$	\$
Leasing of equipment in the UK	<u>5,730,200</u>	<u>5,730,200</u>

Omega Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

4 Operating profit

Arrived at after charging/(crediting)

	2016	2015
	\$	\$
Depreciation expense	<u>4,373,105</u>	<u>3,558,830</u>

5 Other interest receivable and similar income

	2016	2015
	\$	\$
Interest income on bank deposits	9,801	-
Interest receivable from group companies	<u>708,204</u>	<u>708,204</u>
	<u>718,005</u>	<u>708,204</u>

6 Interest payable and similar charges

	2016	2015
	\$	\$
Interest on loans from related party	<u>1,556,951</u>	<u>1,653,597</u>

7 Staff number and costs

The Company has no employees other than the Directors, who did not receive any remuneration (2015 - \$NIL).

The Company is charged a proportion of the costs of employment of those employees with contracts of employment with a related party but whose time is partly dedicated to the business of the Company.

8 Auditor's remuneration

	2016	2015
	\$	\$
Audit of the financial statements	<u>8,000</u>	<u>8,000</u>

Omega Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

9 Income tax

Tax charged/(credited) in the income statement

	2016 \$	2015 \$
Current taxation		
UK corporation tax	922,000	905,000
Deferred taxation		
Arising from origination and reversal of timing differences	(759,000)	(673,000)
Arising from changes in tax rates and laws	<u>(316,000)</u>	<u>(715,000)</u>
Total deferred taxation	<u>(1,075,000)</u>	<u>(1,388,000)</u>
Tax credit in the income statement	<u>(153,000)</u>	<u>(483,000)</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2015 - lower than the standard rate of corporation tax in the UK) of 20% (2015 - 20.25%).

The differences are reconciled below:

	2016 \$	2015 \$
Profit before tax	<u>396,756</u>	<u>1,104,324</u>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	79,351	223,626
Tax rate differential on temporary differences	83,649	8,000
Adjustments in respect of reduction in tax rate	<u>(316,000)</u>	<u>(714,626)</u>
Total tax credit	<u>(153,000)</u>	<u>(483,000)</u>

The Summer Budget 2015 announced that the UK corporation tax rate will reduce to 19% from 1 April 2017 and to 18% from 1 April 2020. These reductions were substantively enacted on 26 October 2015 and have been taken into account in the measurement of the opening deferred tax liability. The 2016 Budget announced a further reduction to 17% from 1 April 2020; this reduction was substantively enacted on 6th September 2016. As the reduction to 17% was substantively enacted during the year, the closing deferred tax liability has been restated accordingly and the credit has been recognised in the P&L.

Deferred tax

Deferred tax assets and liabilities

	Liability \$
2016	<u>5,368,000</u>

Omega Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

2015	Liability
	\$
	<u>6,443,000</u>

10 Dividends

	2016	2015
	\$	\$
Interim dividend of \$Nil (2015 - \$6,000) per ordinary share	-	600,000

11 Tangible assets

	Assets held for use in operating leases
	\$
Cost or valuation	
At 1 January 2016	<u>75,680,728</u>
At 31 December 2016	<u>75,680,728</u>
Depreciation	
At 1 January 2016	38,999,746
Charge for the year	<u>4,373,105</u>
At 31 December 2016	<u>43,372,851</u>
Carrying amount	
At 31 December 2016	<u>32,307,877</u>
At 31 December 2015	<u>36,680,982</u>

12 Debtors

	2016	2015
	\$	\$
Amounts owed by group undertakings	20,451,895	20,451,895
Group relief receivable	1,735,670	1,735,670
Prepayments and accrued income	<u>1,259,859</u>	<u>1,259,859</u>
	23,447,424	23,447,424
Less non-current portion	<u>(1,735,670)</u>	<u>(1,735,670)</u>
Total current trade and other receivables	<u>21,711,754</u>	<u>21,711,754</u>

Details of non-current trade and other receivables

2016 \$1,735,670 (2015 -\$1,735,670) of Group relief receivable is classified as non current.

Omega Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

13 Creditors

	2016 \$	2015 \$
Due within one year		
Amounts due to related parties	38,732,143	2,593,885
Accruals and deferred income	299,782	320,978
Group relief payable	922,000	905,000
	<u>39,953,925</u>	<u>3,819,863</u>
Due after one year		
Amounts owed to related parties	<u>-</u>	<u>38,732,143</u>

The above borrowings were obtained in order to purchase the fixed assets of the Company; the loans are secured against those assets.

The above creditor relates to a loan which matures over a seven year period, starting 12 July 2010 and ending 12 July 2017. Interest is payable over the duration of the loan on a quarterly basis at a coupon interest rate of 3.52% per annum. Principal repayments of US\$686,400 per quarter are made over the duration of the loan, with a final payment of the remaining principal outstanding being made on 12 July 2017.

Borrowings are net of pre-paid loan arrangement fees which are being amortised over the loan term. Prepaid loan fees were \$75,857 as at 31 December 2016 (2015 \$227,572).

The Company is expected to receive certain back-end compensations at lease expiry in July 2017. The compensations, along with the loan to an affiliate due to be repaid in July and its existing resources will generate sufficient funds to meet the repayment in 2017.

14 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No.	\$	No.	\$
Ordinary shares of \$1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

15 Contingent liabilities

The Company and certain affiliates are party to a loan facility. The Company provides guarantees in respect of the obligation of its holding company and in respect to related parties of US\$73,500,000 (2015 - US\$78,700,000).

Omega Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

16 Related party transactions

Summary of transactions with other related parties

Income and receivables from related parties

	Other related parties
	\$
2016	
Sale of goods	<u>5,730,200</u>
2015	
Sale of goods	<u>5,730,200</u>

17 Parent and ultimate parent undertaking

Rolls-Royce Holdings plc, a company registered in England and Wales, and GATX Corporation, a company registered in the United States, are the joint ultimate holding companies. Copies of Rolls-Royce Holdings plc's consolidated Financial Statements can be obtained from 62 Buckingham Gate, London SW1E 6AT and those of GATX Corporation from 222 West Adams Street, Chicago, IL60606-5314, Illinois, USA.

Alpha Leasing Limited, a company registered in England and Wales, is the immediate holding company. Alpha Leasing Limited is wholly owned by Alpha Partners Leasing Limited, which heads the smallest group in which the results of the Company are consolidated. Copies of its consolidated Financial Statements can be obtained from 62 Buckingham Gate, London SW1E 6AT.