

COMPANY NUMBER 4133746

ALPHA PARTNERS LEASING LIMITED

Annual Report
for the Year Ended 31 December 2010

**Directors on
31 March 2011:**

C F Glenn
M A Garrett
E Harkness
R Lyons
M N Morris
A Shilston

Secretary:

D J Goma
C H Jackson

THURSDAY



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COMPANIES HOUSE

Registered Office 65 Buckingham Gate, London SW1E 6AT

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REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2010

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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PRINCIPAL ACTIVITIES

All of the Group's business involves the leasing of commercial aero and industrial engines.

REVIEW OF THE BUSINESS

The group's turnover increased by 1% compared to the previous year. The engine growth in RRP Engine Leasing was offset by reduced rental revenue following the refinancing of Omega Leasing Ltd.

The group opened the year with an engine lease portfolio of 150 aero engines and 25 industrial engines, and closed with 164 aero engines and 25 industrial engines. During the year the group acquired 16 engines and sold 2 engines. Monthly average net investment in the total engine portfolio (including both fixed assets and finance lease debtors) increased by approximately \$86m year on year.

The principal risks and uncertainties facing the group are the risk of engines being off lease for extended periods and the risk of customer bankruptcy and resultant bad debts. Due to the downturn in the industry, the Company experienced some customer bankruptcies during the year which resulted in a bad debt write-off of \$2.6m.

REPORT OF THE DIRECTORS (continued)

The key sources of finance for the Company are two syndicated revolving credit facilities to which the Company and certain affiliates are party to. The facility amounts are \$525m and \$250m, they mature in December 2012 and December 2011 respectively. The Company is in the process of refinancing with a view to completing this by mid-year 2011. One of the subsidiaries of the Company completed its separate refinancing in July 2010 with its share of facility just under \$56m.

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

Results

The profit before taxation of the Group was US\$41,132,000 (2009 US\$46,423,000).

Proposed Transfer to Reserves and Payment of Dividend

The proposed transfer to reserves is US\$7,152,000 (2009 US\$14,773,000). The Directors declared interim dividends of US\$130,500 per A and B ordinary shares (2009 US\$104,500 per A and B ordinary shares). No further dividends are recommended. The total cost of dividends for 2010 is US\$26,100,000 (2009 US\$20,900,000).

DIRECTORATE

The Directors who held office through the year were as follows:

C F Glenn
E Harkness
R C Lyons
M N Morris
A Shilston

Mr M A Cowdry resigned as a director on 26 October 2010 and was replaced by Mr M A Garrett.

DIRECTORS' INTERESTS

None of the Directors, or their immediate family, had any beneficial interest in the shares of the Company during the year.

PAYMENT TO SUPPLIERS

The Company seeks the best possible terms from suppliers and, in entering into binding purchasing contracts, gives consideration to quality, delivery, price and the terms of payment. The Company abides therewith whenever it is satisfied that suppliers have provided the goods or services in accordance with agreed terms and conditions. Trade Creditors (excluding creditors related to capital items) at 31 December 2010 represent 12 days of purchases (2009 19 days).

REPORT OF THE DIRECTORS (continued)

AUDITORS & ANNUAL GENERAL MEETINGS

Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

In accordance with Section 485 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By Order of the Board

A handwritten signature in black ink, appearing to be 'C H Jackson', written over a horizontal line.

C H Jackson
Secretary
31 March 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALPHA PARTNERS LEASING LIMITED

We have audited the financial statements of Alpha Partners Leasing Limited for the year ended 31 December 2010 set out on pages 5 to 17. 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 1, 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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2010 and of the group's profit 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 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.



C N Parkin (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
1 April 2011

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 US\$000	2009 US\$000
Turnover	2	116,438	114,940
Cost of sales		(55,661)	(48,844)
Gross profit		60,777	66,096
General and administrative costs		(3,823)	(3,445)
Operating profit		56,954	62,651
Profit on sale of fixed assets		3,403	5,747
Profit on ordinary activities before interest		60,357	68,398
Net interest payable	4	(19,225)	(21,975)
Profit on ordinary activities before taxation	3	41,132	46,423
Tax on profit on ordinary activities	7	(7,880)	(10,750)
Profit for the financial year		33,252	35,673

The notes on pages 8 to 17 form part of these Financial Statements

All the results have been derived from continuing activities

As permitted by the Companies Act 2006, a separate profit and loss account for the Company has not been included in these Financial Statements. Of the Group "profit for the financial year" a profit of US\$26,100,000 (2009 US\$20,900,000) has been dealt with in the profit and loss account of the Company. In both 2010 and 2009 the Company profit on ordinary activities after taxation comprised dividends received from subsidiary undertakings

There are no recognised gains or losses other than those disclosed in the profit and loss account above

BALANCE SHEETS
AT 31 DECEMBER 2010
COMPANY NUMBER 4133746

	Notes	GROUP		COMPANY	
		2010 US\$000	2009 US\$000	2010 US\$000	2009 US\$000
Fixed assets					
Tangible assets	9	1,039,090	924,876	-	-
Current assets					
Stock	11	850	55	-	-
Debtors amounts falling due within one year	12	16,635	32,788	20,485	18,212
Debtors amounts falling due after more than one year	13	1,736	1,736	-	-
Cash at bank and in hand		24,633	1,311	-	-
		<u>43,854</u>	<u>35,890</u>	<u>20,485</u>	<u>18,212</u>
Creditors amounts falling due within one year	14	(241,254)	(65,661)	(20,485)	(18,212)
Net current liabilities		<u>(197,400)</u>	<u>(29,771)</u>	<u>-</u>	<u>-</u>
Total assets less current liabilities		841,690	895,105	-	-
Creditors amounts falling due after more than one year	15	(597,904)	(666,351)	-	-
Provisions for liabilities and charges	16	(106,897)	(99,017)	-	-
Net assets		<u>136,889</u>	<u>129,737</u>	<u>-</u>	<u>-</u>
Capital and reserves					
Called up share capital	17	-	-	-	-
Capital reserve	18	42,708	42,708	-	-
Profit and loss account	19	94,181	87,029	-	-
Equity shareholders' funds		<u>136,889</u>	<u>129,737</u>	<u>-</u>	<u>-</u>

The Financial Statements were approved by the Board of Directors on 31st March 2011 and were signed on its behalf by



M N Morris
Director

The notes on pages 8 to 17 form part of these Financial Statements

GROUP CASH FLOW STATEMENT **FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010 US\$000	2009 US\$000
Reconciliation of operating profit to operating cash flows		
Operating profit	56,954	62,651
Depreciation charges	45,934	41,524
Increase in stock	(795)	1,371
Decrease/(Increase) in debtors	7,575	(16,470)
Increase in creditors	25,147	11,006
Net cash inflow from operating activities	134,815	100,082
Returns on investment and servicing of finance		
Interest received	2	30
Interest paid	(17,987)	(22,395)
Net cash outflow from returns on investment and servicing of finance	(17,985)	(22,365)
Taxation	-	-
Capital expenditure		
Purchase of tangible fixed assets	(149,109)	(151,882)
Disposal of tangible fixed assets	-	10,636
Net cash outflow for capital expenditure and financial investments	(149,109)	(141,246)
Equity dividends paid	(26,100)	(20,900)
Cash outflow before financing	(58,379)	(84,429)
Financing		
Increase in borrowings due within one year	81,266	(641)
Decrease in borrowings due after one year	-	87,959
Increase in loans from related parties	435	(2,454)
Net cash inflow from financing	81,701	84,864
Increase in cash in the period	23,322	435
Reconciliation of net cash flow to movement in net debt		
Increase in cash in the period	23,322	435
Cash flow from movement in borrowings	(81,701)	(84,864)
Non cash movement in borrowings	(1,131)	(869)
Movement in net debt in the period	(59,510)	(85,298)
Net debt at 1 January	(648,730)	(563,432)
Net debt at 31 December	(708,240)	(648,730)

ANALYSIS OF NET DEBT

	At beginning of year US\$000	Cashflow US\$000	Non cash items US\$000	At end of year US\$000
Cash in hand, at bank	1,311	23,322	-	24,633
Loan from related parties	(54,310)	(435)	-	(54,745)
Debt due within one year	(773)	(81,266)	(132,423)	(214,462)
Debt due after more than one year	(594,958)	-	131,292	(463,666)
Total	(648,730)	(58,379)	(1,131)	(708,240)

Non-Cash items relate to the amortisation of loan fees capitalised in prior years and reclassification of loan between within and more than one year

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

Basis of Accounting

The Group Financial Statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

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.

The Group Financial Statements have been prepared on a going concern basis, notwithstanding net current liabilities of US\$197,400,000 as at 31 December 2010.

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 lease income receivable against the creditors and loan repayments necessary within one year.

The Group is in the process of renewing its revolving credit facility and, based on their discussions with the finance providers, and their experience of recent refinancing elsewhere in the group, the directors expect this to be completed before mid year 2011.

Basis of Consolidation

In 2001, the first year the Financial Statements of the Company were prepared, the Company took advantage of the provisions within FRS 6 to account for its investment in its subsidiaries as a group reconstruction.

The Group Financial Statements include the financial statements of the Company and all of its subsidiary undertakings made up to 31 December 2010.

Functional and Presentational Currency

The Financial Statements are presented in US Dollars as the Company conducts its principal activities in US Dollars and therefore recognises US Dollars as its functional currency.

Foreign Currencies

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.

Turnover

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

Cost of Assets Held for Use in Operating Leases

The Group accrues for obligations to reimburse either existing or prospective lessees for the costs of future maintenance. Where the accruals have arisen from the acquisition of previously used assets, the asset cost is increased by the amount estimated to return the asset to a fully overhauled condition.

Income from Finance Leases

Income is credited to the profit and loss account in proportion to the funds invested.

Depreciation

Fixed assets 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

NOTE 1 (continued)**Civil Aero Engines** – 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 estimated remaining useful life of the airframe for which the engine is designed

Industrial Engines - The period up to the 20th anniversary of the engine being first bought into use or purchased for lease by the Company

Fixtures & Fittings – 5 years**Stock**

Stock is stated at the lower of cost and net realisable value

Interest

Interest payable is charged to the profit and loss account as incurred

Taxation

Provision for taxation is made at the current rate and for deferred taxation, at the projected rate, on all timing differences, which have originated, but not reversed at the Balance Sheet date

Dividends on shares presented within equity

Dividends are only recognised as a liability to the extent that they are declared prior to the year end

2. ANALYSIS OF TURNOVER

	Operating Lease Rentals US\$000	Finance Lease Rentals US\$000	Spare Parts Sales US\$000	Total US\$000
2010				
United Kingdom	36,836	26	26	36,888
Rest of Europe	7,010	-	-	7,010
USA	21,874	-	-	21,874
Canada	2,629	-	-	2,629
South America	8,772	-	-	8,772
Asia	39,264	1	-	39,265
	<u>116,385</u>	<u>27</u>	<u>26</u>	<u>116,438</u>
	Operating Lease Rentals US\$000	Finance Lease Rentals US\$000	Spare Parts Sales US\$000	Total US\$000
2009				
United Kingdom	40,245	83	75	40,403
Rest of Europe	10,339	171	-	10,510
USA	17,877	-	-	17,877
Canada	2,518	-	-	2,518
South America	7,990	-	-	7,990
Asia	35,642	-	-	35,642
	<u>114,611</u>	<u>254</u>	<u>75</u>	<u>114,940</u>

All of the Group's business originates from the United Kingdom. The Directors are of the opinion that the Group is engaged in a single class of business and the analysis above is provided for information purposes only.

NOTES (continued)**3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2010 US\$000	2009 US\$000
After charging		
Depreciation of owned tangible fixed assets	45,934	41,524
Realised exchange losses/(gains)	(36)	83
Operating lease rentals payable – hire of plant and equipment	14	13
- hire of other assets	6,014	6,350
Auditors' remuneration – Parent company	8	8
- Subsidiary companies	85	87

4. NET INTEREST PAYABLE

	2010 US\$000	2009 US\$000
Interest payable on		
Bank loans and overdrafts	15,463	18,100
Loans from related parties	3,764	3,896
Other borrowings	-	9
	<u>19,227</u>	<u>22,005</u>
Interest receivable	<u>(2)</u>	<u>(30)</u>
Net interest payable	<u>19,225</u>	<u>21,975</u>

5. EMOLUMENTS OF DIRECTORS

The Group paid no emoluments to the Directors in respect of their services during the year

6. EMPLOYEE INFORMATION

	2010 US\$000	2009 US\$000
Employment costs		
Salaries	1,806	1,567
Social security costs	226	142
Other pension costs	145	132
	<u>2,177</u>	<u>1,841</u>
Average number of employees during the year	<u>16</u>	<u>16</u>

For the purposes of this note, employees are taken as being those people with contracts of employment with a related party but whose time is partly dedicated to the business of the Company and Group and whose costs of employment are therefore proportionately charged to the Group

NOTES (continued)**7. TAXATION**

	2010 US\$000	2009 US\$000
Current tax		
Deferred tax origination and reversal of timing differences at 28%		
In respect of current year	11,577	12,845
Adjustment in respect of prior periods	262	(2,095)
Adjustment in respect of reduction in tax rate	<u>(3,959)</u>	<u>-</u>
	7,880	10,750
Reconciliation of Tax Charge		
Profit on ordinary activities before tax	41,132	46,423
Nominal charge at UK corporate tax rate of 28% (2009 28%)	11,516	12,998
Expenses not deductible for tax purposes	61	56
Income not taxable	-	(208)
Capital allowances for period in excess of depreciation	(17,033)	(14,765)
Other timing difference	<u>5,456</u>	<u>1,919</u>
Current tax	<u>-</u>	<u>-</u>

The deferred tax movement in respect of prior periods in 2009 arises from the transitional provisions in Schedule 18, FA 2009. This legislation was enacted in July 2009 and had the effect of increasing the trading losses being carried forward.

The 2010 and 2011 Chancellor's Budgets announced measures to reduce the UK corporation tax rate from 28% to 23% by 2014. The first reduction in the rate to 27% was substantively enacted in July 2010 and was effective from 1 April 2011, as this was the only rate change to be substantively enacted prior to the year end, the closing deferred tax liability has been restated accordingly and the resulting credit has been recognised in the P&L. A subsequent reduction in the rate to 26% was announced in March 2011 and is also effective from 1 April 2011. Had this and the other tax rate changes been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax liability as at 31 December 2010 by \$14,963,000.

8. DIVIDENDS – Ordinary Shares

	2010 US\$000	2009 US\$000
US\$130,500 per A share (2009: US\$104,500 per A share)	13,050	10,450
US\$130,500 per B share (2009: US\$104,500 per B share)	13,050	10,450
	<u>26,100</u>	<u>20,900</u>

NOTES (continued)

9. TANGIBLE FIXED ASSETS

GROUP	Assets Held for Use in Operating Leases US\$000	Fixtures & Fittings US\$000	Total US\$000
Cost at 1 January 2010	1,129,691	538	1,130,229
Additions	165,051	-	165,051
Disposals	(6,550)	-	(6,550)
Cost at 31 December 2010	1,288,192	538	1,288,730
Depreciation at 1 January 2010	204,859	494	205,353
Provided during the year	45,921	13	45,934
Released on disposals	(1,647)	-	(1,647)
Depreciation at 31 December 2010	249,133	507	249,640
Net book values			
at 31 December 2010	1,039,059	31	1,039,090
at 31 December 2009	924,832	44	924,876

The cost of assets held for use in operating leases includes maintenance reserves of US\$714,324 (2009 US\$1,497,133) as explained in Note 1

	GROUP	
	2010 US\$000	2009 US\$000
Capital expenditure commitments		
Contracted but not provided for	52,036	99,347

Capital commitments will be funded from the Group's two revolving credit facilities

10. INVESTMENTS – Subsidiary Undertakings

Company	2010 US\$	2009 US\$
Shares at cost	200	200

11. STOCK

	GROUP		COMPANY	
	2010 US\$000	2009 US\$000	2010 US\$000	2009 US\$000
Spare parts held for engine repairs	850	55	-	-

NOTES (continued)

12. DEBTORS – Amounts Falling Due Within One Year

	GROUP		COMPANY	
	2010 US\$000	2009 US\$000	2010 US\$000	2009 US\$000
Finance lease receivables	190	309	-	-
Engine pre-delivery payments	950	12,652	-	-
Trade debtors	2,359	2,822	-	-
Other debtors	88	47	-	-
Prepayments and accrued income	1,441	130	-	-
Amounts owed by subsidiary undertakings	-	-	20,485	18,212
related parties	11,607	16,828	-	-
	<u>16,635</u>	<u>32,788</u>	<u>20,485</u>	<u>18,212</u>

13. DEBTORS – Amounts Falling Due After One Year

	GROUP	
	2010 US\$000	2009 US\$000
Amounts owed by related parties	1,736	1,736
	<u>1,736</u>	<u>1,736</u>
Investment in Finance Leases		
Rents receivable in the year	<u>388</u>	<u>2,033</u>

14. CREDITORS – Amounts Falling Due Within One Year

	GROUP		COMPANY	
	2010 US\$000	2009 US\$000	2010 US\$000	2009 US\$000
Trade creditors	132	156	-	-
Bank loans and overdrafts	214,462	773	-	-
Accruals and deferred income	15,157	13,910	-	-
Deposits from lessees	1,534	4,683	-	-
Maintenance reserves	4,979	2,537	-	-
Other creditors	1,960	456	-	-
Amounts owed to subsidiary undertakings	-	-	20,485	18,212
related parties	3,030	43,146	-	-
	<u>241,254</u>	<u>65,661</u>	<u>20,485</u>	<u>18,212</u>

NOTES (continued)**15. CREDITORS – Amounts Falling Due After More Than One Year**

	GROUP	
	2010	2009
	US\$000	US\$000
Deposits from lessees	8,129	6,264
Maintenance reserves	74,392	53,965
Amounts owed to related parties falling due between one and two years	2,596	11,164
between two and five years	49,120	-
Bank loans and overdrafts falling due between one and two years	450,731	24,075
between two and five years	12,936	570,883
	<u>597,904</u>	<u>666,351</u>

The related party borrowings above were obtained in order to purchase the fixed assets of the company, the loan is secured against those assets

Maintenance reserves included above comprise:

	GROUP	
	2010	2009
	US\$000	US\$000
At 1 January	56,503	49,483
Provided/received during the year	29,617	27,532
Paid out during the year	(5,619)	(17,669)
Released on disposal	(1,130)	(2,843)
	<u>-</u>	<u>-</u>
At 31 December	<u>79,371</u>	<u>56,503</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	GROUP	
DEFERRED TAXATION	2010	2009
	US\$000	US\$000
At 1 January	99,017	88,267
Amount charged to the profit and loss account	7,880	10,750
At 31 December	<u>106,897</u>	<u>99,017</u>
The analysis of the deferred tax provision is as follows		
Accelerated capital allowances	136,096	124,102
Accumulated losses carried forward	(29,199)	(25,085)
Provision	<u>106,897</u>	<u>99,017</u>

NOTES (continued)**17. SHARE CAPITAL**

	2010 US\$	2009 US\$
Authorised		
US\$1 'A' ordinary shares	100	100
US\$1 'B' ordinary shares	100	100
	<u>200</u>	<u>200</u>
Issued		
US\$1 'A' ordinary shares	100	100
US\$1 'B' ordinary shares	100	100
	<u>200</u>	<u>200</u>

18. CAPITAL RESERVE – non distributable

	2010 US\$000	2009 US\$000
Capital reserve	<u>42,708</u>	<u>42,708</u>

The Capital Reserve represents the difference between the nominal value of the Company's share capital and that of its direct subsidiaries in relation to the companies' merger

19. PROFIT AND LOSS ACCOUNT

	GROUP US\$000
Balance at 1 January 2010	87,029
Transfer to reserves for the year	
Company	
Group	<u>7,152</u>
Balance at 31 December 2010	<u>94,181</u>

20. RELATED PARTY TRANSACTIONS

In the course of normal operations, the Group has contracted on an arms length basis with subsidiary and joint venture undertakings of Rolls-Royce Group plc. The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the Financial Statements are summarised below

	2010 US\$000	2009 US\$000
Sale of goods, services and fixed assets	29,708	44,435
Purchase of goods, services and fixed assets	<u>150,667</u>	<u>129,227</u>

NOTES (continued)**21. LEASE COMMITMENTS*****Operating lease expense***

The Group has entered into fixed term operating leases with a related party company. The operating lease expense is payable on a monthly basis and is calculated based on a pre-determined formula with reference to LIBOR.

Annual commitments under non-cancellable operating leases are as follows:

	2010 \$'000
Operating leases which expire Over five years	6,209

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2010 US\$000	2009 US\$000	2010 US\$000	2009 US\$000
Profit for the financial year	33,252	35,673	26,100	20,900
Dividends	(26,100)	(20,900)	(26,100)	(20,900)
Net addition to shareholders' funds	7,152	14,773	-	-
Opening Shareholders' funds	129,737	114,964	-	-
Closing Shareholders' funds	136,889	129,737	-	-

23. CONTINGENT LIABILITIES

The Group and certain affiliates are party to loan facilities. The Group provides guarantees in respect of related parties of US\$227 million (2009 US\$252 million). The related parties guarantee the obligations of the Group under the loan facilities on a reciprocal basis.

NOTES (continued)**24. PENSION FUNDING**

The Company's employees, as disclosed in note 6, are members of one of two multi-employer defined benefits pension schemes, The Rolls-Royce Pension Fund or the Rolls-Royce Group Pension Scheme. The assets of the schemes are held in separate funds administered by trustees and invested in them independently of the finances of the Group. The schemes are funded by annual contributions from

- a) the company
- b) scheme members

As it is not possible to identify the share of underlying assets and liabilities relating to Alpha Partners Leasing Limited, in accordance with FRS17 Retirement Benefits, the scheme has been accounted for as a defined contribution scheme in these accounts.

On this basis, the amounts of employer contributions for 2010 were US\$145,000 (2009 US\$132,000)

The FRS17 disclosure related to the schemes is given in the group financial statements of Rolls-Royce Group plc.

25. ULTIMATE HOLDING COMPANIES

Rolls-Royce Group 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 Group plc's consolidated Financial Statements can be obtained from 65 Buckingham Gate, London SW1E 6AT and those of GATX Corporation from 222 West Adams St, Chicago, IL60606-5314, Illinois, USA.

26. SUBSIDIARY UNDERTAKINGS as at 31 December 2010

NAME	COUNTRY OF CORPORATION	BUSINESS	INTEREST IN ORDINARY SHARES %
Alpha Leasing Limited	England	Holding company	100
Alpha Leasing (No 3) Limited	England	Holding company	100
Alpha Leasing (No 4) Limited	England	Holding company	100
Omega Leasing Limited	England	Leasing of engines	100
Omega Leasing (No 3) Limited	England	Leasing of engines	100
Omega Leasing (No 4) Limited	England	Leasing of engines	100
Rolls-Royce & Partners Finance Limited	England	Holding company	100
Rolls-Royce Engine Leasing (Labuan) Limited	Malaysia	Leasing of engines	100
RRPF Engine Leasing Limited	England	Leasing of engines	100
RRPF Engine Leasing (No 2) Limited	England	Leasing of engines	100

27. SUBSEQUENT EVENTS

One of the group's subsidiaries – Omega Leasing (No 3) Ltd sold a majority of its engine portfolio in January with a small profit and it is expected to sell the remaining engines in June 2011.