

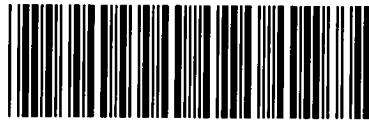
Registration number: 4133746

Alpha Partners Leasing Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2016

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Alpha Partners Leasing Limited

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Alpha Partners Leasing Limited

Company Information

Directors	M Brady
	M A Garrett
	D A Golden
	R C Lyons
	M Dix
	D J Spooner
Company secretary	B A Peacock
Registered office	62 Buckingham Gate
	London
	SW1E 6AT
Auditors	KPMG LLP
	Chartered Accountants
	15 Canada Square
	London E14 5GL

Alpha Partners Leasing Limited

Strategic Report for the Year Ended 31 December 2016

The Directors present their strategic report for the year ended 31 December 2016.

Principal activity

The principal activity of the company is leasing of commercial aero engines.

Fair review of the business

The Group opened the year with an engine operating lease portfolio of 208 engines, and closed with 221 engines. During the year the Group acquired 26 engines and sold 13 engines. The Group also had an engine finance lease portfolio of 6 engines (2015 - 7 engines). Monthly average net investment in the engine portfolio (including both fixed assets and finance lease debtors) increased by approximately US\$288.8 million year on year (2015 - US\$215.6 million increase).

The Group increased its turnover by 9.6% compared to the previous year. This was mainly due to growth in the Group's lease engine portfolio.


The Group's key financial and other performance indicators during the year were as follows:

	Unit	2016	2015
Number of engines in operating lease portfolio		221	208
Number of engines in finance lease portfolio		6	7
Net Book Value of assets held for use in operating leases at year end	\$000	2,323,897	2,001,137
Turnover	\$000	212,179	193,574
Profit on disposal of fixed assets	\$000	29,140	32,863
Profit before tax	\$000	85,408	108,337

Principal risks and uncertainties

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.

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


.....
M A Garrett
Director

Alpha Partners Leasing Limited

Directors' Report for the Year Ended 31 December 2016

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

Directors of the Group

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

M Brady

M A Garrett

C F Glenn (resigned 23 March 2016)

D A Golden

R C Lyons

M Dix

D J Spooner (appointed 23 March 2016)

Results

The Group's profit for the year before taxation amounted to US\$85,408,000 (2015 - US\$108,337,000). Included within profit before taxation was an amount of US\$29,140,000 (2015 - US\$32,863,000) relating to profit on the sale of fixed assets.

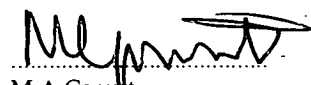
The proposed transfer to retained earnings is US\$44,371,000 (2015 - US\$54,866,000). The Directors declared interim dividends for the year totalling US\$41,111 per 'A' and 'B' ordinary share (2015 - US\$63,714 per 'A' and 'B' ordinary share). They do not recommend payment of any further dividend. The total cost of dividends for the year is US\$37,000,000 (2015 - US\$44,600,000).

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

Disclosure of information to the auditor

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.

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


M A Garrett
Director

Alpha Partners Leasing 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, 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), 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 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.

Alpha Partners Leasing Limited

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 2016, set out on pages 7 to 39. 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 Directors' Responsibilities Statement set out on page 4, 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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's 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 Strategic Report and 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 Strategic report and the Directors' report:

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

Alpha Partners Leasing Limited

Independent Auditor's Report to the members of Alpha Partners 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 by the 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



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

23 March 2017

Alpha Partners Leasing Limited

Consolidated Profit and Loss Account for the Year Ended 31 December 2016

	Note	2016 \$ 000	2015 \$ 000
Turnover	3	212,179	193,574
Cost of sales		<u>(119,722)</u>	<u>(99,675)</u>
Gross profit		92,457	93,899
Administrative expenses		(5,459)	(5,869)
Other operating income	4	<u>2,017</u>	<u>13,254</u>
Operating profit		89,015	101,284
Net profit on sale of tangible fixed assets		<u>29,140</u>	<u>32,863</u>
Profit on ordinary activities before interest		<u>118,155</u>	<u>134,147</u>
Interest receivable and similar income		53	12
Interest payable and similar charges	9	<u>(32,800)</u>	<u>(25,822)</u>
Profit before tax		85,408	108,337
Taxation	10	<u>(4,037)</u>	<u>(8,871)</u>
Profit for the financial year		<u>81,371</u>	<u>99,466</u>

The above results were derived from continuing operations.

Alpha Partners Leasing Limited

**Consolidated Statement of Comprehensive Income for the Year Ended 31 December
2016**

	2016 \$ 000	2015 \$ 000
Profit for the year	81,371	99,466
Unrealised gain/(loss) on cash flow hedges	<u>1,934</u>	<u>(130)</u>
Total comprehensive income for the year	<u><u>83,305</u></u>	<u><u>99,336</u></u>

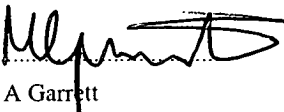
Alpha Partners Leasing Limited

(Registration number: 4133746)

Consolidated Balance Sheet as at 31 December 2016

	Note	2016 \$ 000	2015 \$ 000
Fixed assets			
Tangible assets	12	2,323,897	2,001,137
Current assets			
Stocks	14	14,921	22,074
Debtors (including \$115,705,000 (2015:\$94,280,000) due after more than one year)	15	160,881	125,575
Cash at bank and in hand		<u>25,695</u>	<u>30,012</u>
		201,497	177,661
Creditors: Amounts falling due within one year	16	<u>(445,122)</u>	<u>(83,563)</u>
Net current (liabilities)/assets		<u>(243,625)</u>	<u>94,098</u>
Total assets less current liabilities		2,080,272	2,095,235
Creditors: Amounts falling due after more than one year	16	(1,416,453)	(1,531,758)
Provisions for liabilities		<u>(144,227)</u>	<u>(140,190)</u>
Net assets		<u>519,592</u>	<u>423,287</u>
Capital and reserves			
Called up share capital	18	1	1
Share premium reserve		128,500	78,500
Capital reserve		42,708	42,708
Cash flow hedging reserve		1,086	(848)
Retained earnings		<u>347,297</u>	<u>302,926</u>
Total equity		<u>519,592</u>	<u>423,287</u>

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

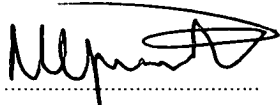

M A Garrett
Director

The notes on pages 14 to 39 form an integral part of these financial statements.

Alpha Partners Leasing Limited
(Registration number: 4133746)
Balance Sheet as at 31 December 2016

	Note	2016 \$ 000	2015 \$ 000
Fixed assets			
Investments	13	128,501	78,501
Current assets			
Debtors	15	20,452	20,453
Cash at bank and in hand		<u>11</u>	<u>9</u>
		20,463	20,462
Creditors: Amounts falling due within one year	16	<u>(20,454)</u>	<u>(20,453)</u>
Net current assets		<u>9</u>	<u>9</u>
Net assets		<u>128,510</u>	<u>78,510</u>
Capital and reserves			
Called up share capital		1	1
Share premium reserve		128,500	78,500
Retained earnings		<u>9</u>	<u>9</u>
Total equity		<u>128,510</u>	<u>78,510</u>

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



M A Garrett
Director

Alpha Partners Leasing Limited

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

	Share capital \$ 000	Share premium \$ 000	Capital reserve \$ 000	Cash flow hedging reserve \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2016	1	78,500	42,708	(848)	302,926	423,287
Profit for the year	-	-	-	-	81,371	81,371
Other comprehensive income	-	-	-	1,934	-	1,934
Total comprehensive income	-	-	-	1,934	81,371	83,305
Dividends	-	-	-	-	(37,000)	(37,000)
New share capital subscribed	-	50,000	-	-	-	50,000
At 31 December 2016	1	128,500	42,708	1,086	347,297	519,592
	Share capital \$ 000	Share premium \$ 000	Capital reserve \$ 000	Cash flow hedging reserve \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2015	1	47,500	42,708	(718)	248,060	337,551
Profit for the year	-	-	-	-	99,466	99,466
Other comprehensive income	-	-	-	(130)	-	(130)
Total comprehensive income	-	-	-	(130)	99,466	99,336
Dividends	-	-	-	-	(44,600)	(44,600)
New share capital subscribed	-	31,000	-	-	-	31,000
At 31 December 2015	1	78,500	42,708	(848)	302,926	423,287

The notes on pages 14 to 39 form an integral part of these financial statements.

Alpha Partners Leasing Limited

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

	Share capital \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2016	1	78,500	9	78,510
Profit for the year	-	-	37,000	37,000
Total comprehensive income	-	-	37,000	37,000
Dividends	-	-	(37,000)	(37,000)
New share capital subscribed	-	50,000	-	50,000
At 31 December 2016	1	128,500	9	128,510
	Share capital \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2015	1	47,500	9	47,510
Profit for the year	-	-	44,600	44,600
Total comprehensive income	-	-	44,600	44,600
Dividends	-	-	(44,600)	(44,600)
New share capital subscribed	-	31,000	-	31,000
At 31 December 2015	1	78,500	9	78,510

The notes on pages 14 to 39 form an integral part of these financial statements.

Alpha Partners Leasing Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2016

	2016 \$ 000	2015 \$ 000
Cash flows from operating activities		
Profit for the year	81,371	99,466
Adjustments to cash flows from non-cash items		
Depreciation and impairment	111,079	90,574
Profit on disposal of tangible fixed assets	(29,140)	(32,863)
Interest receivable and similar income	(53)	(12)
Interest payable and similar charges	32,800	25,822
Income tax expense	4,037	8,871
	<u>200,094</u>	<u>191,858</u>
Working capital adjustments		
Decrease/(increase) in stocks	8,041	(1,816)
(Increase)/decrease in trade and other debtors	(9,908)	20,989
Increase in trade and other creditors	49,170	12,358
	<u>247,397</u>	<u>223,389</u>
Net cash flow from operating activities		
Cash flows from investing activities		
Interest received	53	12
Acquisitions of tangible fixed assets	(520,371)	(393,381)
Proceeds from sale of tangible fixed assets	25,481	55,649
	<u>(494,837)</u>	<u>(337,720)</u>
Cash flows from financing activities		
Interest paid	(29,576)	(22,243)
Proceeds from issue of ordinary shares, net of issue costs	50,000	31,000
Repayment of bank and other borrowings	(293,756)	(347,816)
Proceeds from bank and other borrowing draw downs (net of issue costs)	553,455	510,404
Dividends paid	(37,000)	(44,600)
	<u>243,123</u>	<u>126,745</u>
Net cash flows from financing activities		
Net (decrease)/increase in cash and cash equivalents	<u>(4,317)</u>	<u>12,414</u>
Cash and cash equivalents at 1 January	<u>30,012</u>	<u>17,598</u>
Cash and cash equivalents at 31 December	<u><u>25,695</u></u>	<u><u>30,012</u></u>

The notes on pages 14 to 39 form an integral part of these financial statements.

Alpha Partners 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 (\$). All amounts in the financial statements have been rounded to the nearest \$1,000.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2016.

No Profit and Loss Account is presented for the Company as permitted by section 408 of the Companies Act 2006. The company made a profit after tax for the financial year of £37,000,398 (2015 - profit of £44,600,000).

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Alpha Partners 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\$244 million as at 31 December 2016 due to loans expiring in 2017.

The Group has new facility agreements in place to refinance \$335 million loan expiring in 2017 which was included in the current liabilities. The new facilities have a maturity date in October 2026. The Group also has undrawn a revolving credit facility of \$317 million to support the other \$38m loan maturing in July 2017.

The Group has generated significant profits in both 2015 and 2016 and is in a gross asset position at both year ends.

The Directors have considered the application of the going concern basis of accounting and believe that, for the foreseeable future, the Group 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.

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.

Financial instruments

Classification

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the group 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 group; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity 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 entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Basic financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise of cash balances, 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.

Alpha Partners Leasing Limited

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

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the debtors.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as creditors due within one year if the Group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as creditors due after more than one year.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Bank and other borrowings are initially recorded at fair value, net of transaction costs. Bank and other 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 creditors due within one year unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Alpha Partners Leasing Limited

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

Other financial instruments

Derivatives

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Hedging

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the profit or loss (even if those gains would normally be recognised directly in reserves). If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the profit or loss immediately.

Investments

Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Tangible fixed assets

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

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

Alpha Partners Leasing Limited

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

Depreciation

Assets held for use in operating leases

Assets held for use in 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 first being delivered to an airline, or purchased for lease by the Company; and
- ii) the anticipated 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.

Fixtures & Fittings

Fixtures & Fittings are depreciated on a straight line basis over five years.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Alpha Partners Leasing Limited

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

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

The Group 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.

Maintenance reserves

Maintenance reserves represent deposits receivable from certain customers. The purpose of the deposit is to cover essential maintenance incurred on the engine and deposits are refunded as maintenance is incurred.

Maintenance reserves are initially recognised within creditors at the amount due from the customer when billed and subsequently reduced by the amounts incurred for maintenance. Any remaining maintenance deposit at the conclusion of the lease is retained by the Group as a reflection of the engine redelivery condition. Maintenance reserves are de-recognised when they no longer meet the definition of a liability, or when the engines are disposed.

Alpha Partners Leasing Limited

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

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.

Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The Group recognises turnover when:

The amount of turnover can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the Group's activities.

Alpha Partners Leasing Limited

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

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 group 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 consolidated financial statements and on unused tax losses or tax credits in the Group. 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.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Where the Group transfers substantially all the risks and rewards of ownership, the arrangement is classified as a finance lease and a debtor is recognised at an amount equal to the net investment in the lease. Recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease and is recorded in turnover.

3 Turnover

The analysis of the group's revenue for the year from continuing operations is as follows:

	2016	2015
	\$ 000	\$ 000
Operating lease rentals	197,936	178,928
Fees and other revenue	1,015	8,663
Finance lease rentals	3,627	4,187
Spare parts sales	9,601	1,796
	<u>212,179</u>	<u>193,574</u>

An analysis of turnover by destination is as follows:

Alpha Partners Leasing Limited

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

	2016 \$000	2015 \$000
United Kingdom	87,312	61,484
Rest of Europe	37,747	34,534
USA	5,123	11,043
Canada	1,226	3,090
Central and South America	1,812	2,765
Asia, Oceania and Africa	78,959	80,658
	<u>212,179</u>	<u>193,574</u>

4 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2016 \$ 000	2015 \$ 000
Other operating income	<u>2,017</u>	<u>13,254</u>

Other operating income relates to the release of amounts previously held in the maintenance reserve for which the Group no longer has a liability.

5 Operating profit

Arrived at after charging/(crediting)

	2016 \$ 000	2015 \$ 000
Depreciation expense	<u>111,079</u>	<u>90,574</u>

Alpha Partners Leasing Limited

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

6 Auditor's remuneration

	2016 \$000	2015 \$000
Audit of these financial statements	20	20
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	130	150
Audit-related assurance services	20	20
	<u>170</u>	<u>190</u>

7 Directors' remuneration

The Group paid no emoluments to the Directors in respect of their services during the year (2015-\$Nil).

8 Staff number and costs

The aggregate payroll costs were as follows:

	2016 \$ 000	2015 \$ 000
Wages and salaries	2,167	2,472
Social security costs	205	231
Pension costs, defined benefit scheme	118	145
	<u>2,490</u>	<u>2,848</u>

The average number of persons employed by the group during the year, analysed by category was as follows:

	2016 No.	2015 No.
	<u>15</u>	<u>14</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 dedicated to the business of the Company and Group and whose costs of employment are therefore charged to the Group.

None of the directors receive a salary through Alpha Partners Leasing Limited. Directors are employed by the ultimate holding companies, GATX Corporation and Rolls-Royce Holdings plc and remunerated through these companies. There are no recharges from these related parties to Alpha Partners Leasing Limited.

Alpha Partners Leasing Limited

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

9 Interest payable and similar charges

	2016 \$ 000	2015 \$ 000
Interest on bank overdrafts and borrowings	10,711	8,484
Interest on other loans	22,089	17,338
	<u>32,800</u>	<u>25,822</u>

10 Income tax

Tax charged/(credited) in the income statement

	2016 \$ 000	2015 \$ 000
Deferred taxation		
Arising from origination and reversal of timing differences	15,380	24,450
Arising from adjustments in respect of reduction in tax rate	(8,484)	(15,577)
Arising from adjustments in respect of prior period	(2,859)	(2)
Total deferred taxation	<u>4,037</u>	<u>8,871</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 \$ 000	2015 \$ 000
Profit before tax	<u>85,408</u>	<u>108,337</u>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	17,082	21,938
Expenses not deductible in determining taxable profit (tax loss)	9	2,816
Adjustments in respect of reduction in tax rate	(8,484)	(15,577)
Adjustments in respect of prior periods	(2,859)	(2)
Tax rate differential on temporary differences	(1,711)	(304)
Total tax charge	<u>4,037</u>	<u>8,871</u>

Alpha Partners Leasing Limited

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

Deferred tax

Group

Deferred tax assets and liabilities

	Liability \$ 000
2016	
Tangible fixed assets	145,347
Losses	(1,303)
Other temporary differences	183
	<u>144,227</u>
2015	
Tangible fixed assets	150,153
Losses	(9,963)
Other temporary differences	-
	<u>140,190</u>

No net reversal of the deferred tax liability is expected to occur in the next reporting period

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 6 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.

11 Dividends

	2016 \$ 000	2015 \$ 000
Dividend of \$41,111 (2015 - \$63,714) per 'A' ordinary and 'B' ordinary share	<u>37,000</u>	<u>44,600</u>

Alpha Partners Leasing Limited

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

12 Tangible fixed assets

Group

	Furniture, fittings and equipment \$ 000	Assets held for use in operating leases \$ 000	Total \$ 000
Cost or valuation			
At 1 January 2016	3	2,455,559	2,455,562
Additions	-	520,371	520,371
Disposals	(3)	(133,571)	(133,574)
At 31 December 2016	-	2,842,359	2,842,359
Depreciation			
At 1 January 2016	3	454,422	454,425
Charge for the year	-	111,079	111,079
Eliminated on disposal	(3)	(47,039)	(47,042)
At 31 December 2016	-	518,462	518,462
Carrying amount			
At 31 December 2016	-	2,323,897	2,323,897
At 31 December 2015	-	2,001,137	2,001,137

During the year, assets with a value of \$25,274,000 (2015 - US\$nil) were acquired for the purpose of letting under finance leases and shown under finance lease debtors.

During the year, assets with cost US\$2,717,000 (2015 - US\$nil) were disposed of as part of finance lease contracts. The accumulated depreciation on these engines was \$1,799,000 (2015 - US\$nil).

The Group 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 recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Alpha Partners Leasing Limited

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

13 Investments

Group

Details of undertakings

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2016	2015
Subsidiary undertakings				
Alpha Leasing Limited	England	Ordinary shares	100%	100%
Alpha Leasing (No.4) Limited	England	Ordinary shares	100%	100%
Alpha Leasing (No.9) Limited	England	Ordinary shares	100%	100%
Alpha Leasing (No.10) Limited	England	Ordinary shares	100%	100%
Alpha Leasing (No.11) Limited	England	Ordinary shares	100%	100%
Omega Leasing Limited	England	Ordinary shares	100%	100%
Omega Leasing (No.4) Limited	England	Ordinary shares	100%	100%
Omega Leasing (No.9) Limited	England	Ordinary shares	100%	100%
Omega Leasing (No.10) Limited	England	Ordinary shares	100%	100%
Omega Leasing (No.11) Limited	England	Ordinary shares	100%	100%
Rolls-Royce & Partners Finance Limited	England	Ordinary shares	100%	100%
Rolls-Royce Engine Leasing (Labuan) Limited	Malaysia	Ordinary shares	100%	100%
Rolls-Royce Engine Leasing (Labuan) (No. 2) Limited	Malaysia	Ordinary shares	100%	100%
RRPF Engine Leasing Limited	England	Ordinary shares	100%	100%
RRPF Engine Leasing (No.2) Limited	England	Ordinary shares	100%	100%

Alpha Partners Leasing Limited

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

RRPF Engine Leasing (Singapore) PTE. Singapore Limited	Ordinary shares	0%	100%
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Subsidiary undertakings

The principal activity of Alpha Leasing Limited is Holding company

The principal activity of Alpha Leasing (No.4) Limited is Holding company

The principal activity of Alpha Leasing (No.9) Limited is Holding company

The principal activity of Alpha Leasing (No.10) Limited is Holding company

The principal activity of Alpha Leasing (No.11) Limited is Holding company

The principal activity of Omega Leasing Limited is Leasing of engines

The principal activity of Omega Leasing (No.4) Limited is Leasing of engines

The principal activity of Omega Leasing (No.9) Limited is Leasing of engines

The principal activity of Omega Leasing (No.10) Limited is Leasing of engines

The principal activity of Omega Leasing (No.11) Limited is Leasing of engines

The principal activity of Rolls-Royce & Partners Finance Limited is Holding company

The principal activity of Rolls-Royce Engine Leasing (Labuan) Limited is Leasing of engines

The principal activity of Rolls-Royce Engine Leasing (Labuan) (No. 2) Limited is Leasing of engines

The principal activity of RRPF Engine Leasing Limited is Leasing of engines

The principal activity of RRPF Engine Leasing (No.2) Limited is Leasing of engines

The principal activity of RRPF Engine Leasing (Singapore) PTE. Limited is Leasing of engines

During the year RRPF Engine Leasing (Singapore) PTE Limited was struck off. In both the year ended 31 December 2016 and 31 December 2015 the company was not trading and had no assets or liabilities. Therefore there was no impact on the financial statements.

Company

	2016 \$ 000	2015 \$ 000
Investments in subsidiaries	128,501	78,501
Subsidiaries		\$ 000
Cost or valuation		
At 1 January 2016		78,501
Additions		50,000
At 31 December 2016		128,501
Provision		
Carrying amount		
At 31 December 2016		128,501
At 31 December 2015		78,501

During the year the company purchased the shares of Alpha Leasing (No. 9) Limited, which is the parent of Omega Leasing (No. 9) Limited.

Alpha Partners Leasing Limited

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

14 Stock

	Group		Company	
	2016 \$ 000	2015 \$ 000	2016 \$ 000	2015 \$ 000
Raw materials and consumables	14,921	22,074	-	-

15 Debtors

	Group		Company	
	2016 \$ 000	2015 \$ 000	2016 \$ 000	2015 \$ 000
Trade debtors	8,125	6,538	-	-
Other financial asset	7,120	8,245	-	-
Amounts owed by related parties	21,135	5,729	-	1
Group relief receivable	1,736	1,736	-	-
Other debtors	2,243	2,894	-	-
Prepayments	14,222	9,399	-	-
Amounts owed by group undertakings	-	-	20,452	20,452
Finance lease debtors	106,300	91,034	-	-
	160,881	125,575	20,452	20,453
Less: due after one year	(115,705)	(94,280)	-	-
Due within one year	45,176	31,295	20,452	20,453

Details of debtors falling due after more than one year

Group

\$103,522,000 (2015 - \$82,057,000) of Finance lease debtors is classified as non current.

\$1,736,000 (2015 - \$1,736,000) of Group relief receivable is classified as non current.

\$1,829,000 (2015 - \$2,242,000) of Other debtors is classified as non current.

\$7,120,000 (2015 - \$8,245,000) of Other financial asset is classified as non current.

\$1,498,000 (2015 - \$Nil) of Prepayments is classified as non current.

Alpha Partners Leasing Limited

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

16 Creditors

	Note	Group		Company	
		2016 \$ 000	2015 \$ 000	2016 \$ 000	2015 \$ 000
Due within one year					
Loans and borrowings	17	388,277	20,341	-	-
Trade creditors		2,291	1,025	-	-
Loans from group undertakings		-	-	20,454	20,453
Deposits from lessees		821	1,136	-	-
Amounts owed to related parties		834	-	-	-
Other payables		821	4,718	-	-
Accrued expenses		20,298	19,190	-	-
Maintenance reserves		31,780	37,153	-	-
		<u>445,122</u>	<u>83,563</u>	<u>20,454</u>	<u>20,453</u>
Due after one year					
Loans and borrowings	17	1,335,795	1,444,720	-	-
Deposits from lessees		10,297	11,378	-	-
Maintenance reserves		70,361	75,660	-	-
		<u>1,416,453</u>	<u>1,531,758</u>	<u>-</u>	<u>-</u>

Group

Maintenance reserves included above comprise;

	2016 \$000	2015 \$000
At the beginning of the year	112,813	111,642
Provided/received during the year	63,157	43,381
Released during the year	(2,017)	(13,254)
Paid out during the year	(5,423)	(11,498)
Released on disposals	(66,087)	(17,458)
Writebacks due to bad debt	(302)	-
At the end of the year	<u>102,141</u>	<u>112,813</u>

Alpha Partners Leasing Limited

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

17 Loans and borrowings

	Group		Company	
	2016 \$ 000	2015 \$ 000	2016 \$ 000	2015 \$ 000
Loans and borrowings due after more than one year				
Bank borrowings	406,255	471,667	-	-
Other borrowings	<u>929,540</u>	<u>973,053</u>	<u>-</u>	<u>-</u>
	<u>1,335,795</u>	<u>1,444,720</u>	<u>-</u>	<u>-</u>
	Group		Company	
	2016 \$ 000	2015 \$ 000	2016 \$ 000	2015 \$ 000
Loans and borrowings due within one year				
Bank borrowings	346,972	15,179	-	-
Other borrowings	<u>41,305</u>	<u>5,162</u>	<u>-</u>	<u>-</u>
	<u>388,277</u>	<u>20,341</u>	<u>-</u>	<u>-</u>

Group

Included in the loans and borrowings are the following amounts due after more than five years:

	2016 \$ 000	2015 \$ 000
After more than five years by instalments	11,807	19,775
After more than five years not by instalments	<u>1,022,862</u>	<u>1,237,270</u>
	<u>1,034,669</u>	<u>1,257,045</u>

Alpha Partners Leasing Limited

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

Bank borrowings

The above bank borrowings relate to a revolving credit facility and three bank loans.

For the revolving credit facility, under the facility agreement the Group and its affiliates can make eligible draws up to US\$450 million. Borrowings are secured by the assets of the Group and its affiliates. Draws bear interest at a rate at LIBOR plus 0.5% per annum and a utilisation fee of 0.10%-0.30% per annum depending on overall Group and affiliate borrowings. Undrawn amounts bear commitment fee charge of 0.175% per annum.

The amount drawn as at 31 December 2016 was \$133 million (2015 - \$102 million)

The original termination date of the facility was 7 April 2019, however the Group and its affiliates had the option to extend to 7 April 2021 which was exercised during 2016.

The facility includes an accordion option which makes additional funds available to the borrowers upon request. The total amount of funds available to the borrowers per the terms of the accordion option is \$150,000,000. As of December 31, 2016 the Group had not exercised this option.

The first bank loan relates to a bridging loan following the termination the 6 year credit facility agreement (2012 Facility) of \$104,000,000 on 22nd November 2016. The facility had a current book value of \$83,660,000 and repayment was made via the new bridging loan taken out at the same date. The new bridging loan of \$335,000,000 has interest payable on a quarterly basis at a rate of 3 month USD LIBOR + 0.6% per annum. Principal repayments of US\$1,130,000 per quarter, with a final payment of the remaining principal outstanding being made on 12 April 2017 with possible extension to 12 September 2017.

On 22nd November 16 the Group entered into two new agreements commencing 12 April 2017 to 12 October 2026:

- A credit facility agreement of \$180,000,000. The facility has interest payable on a quarterly basis at a rate of 3 month USD LIBOR + 1.16% per annum.
- Issuance of \$152,000,000 of 2.4% senior secured loan notes. Principal repayments are US\$4,000,000 per quarter commencing 12 July 2017.

The second bank loan matures over a six year period, starting 19 December 2014 and ending 18 October 2021. Interest is payable over the duration of the loan on a quarterly basis at a rate of 3 month USD LIBOR + 0.75% per annum. Principal repayments of US\$1,650,000 per quarter are made over the duration of the loan, with a final payment of US\$111.5 million the remaining principal outstanding being made on 18 October 2021.

The third bank loan matures over a six year period, starting 29 October 2015 and ending 12 October 2022. Interest is payable over the duration of the loan on a quarterly basis at a rate of 3 month USD LIBOR + 0.7% per annum. Principal repayments of US\$1,500,000 per quarter are made over the duration of the loan, with a final payment of US\$107.5 million the remaining principal outstanding being made on 18 October 2021.

Other loans

Other loans relate to private placements and related party loans.

The private placement relates to loan notes issued in conjunction with an affiliated company totalling US\$1,000 million. The Group's share of these loan notes at 31 December 2016 was US\$915 million, comprised as follows:

- US\$99 million of 3.31% fixed rate loan notes maturing October 2020.
- US\$93 million of 3.99% fixed rate loan notes maturing October 2023.
- US\$143 million of 6-month USD LIBOR + 1.06875% variable rate loan notes maturing October 2020.
- US\$197 million of 6-month USD LIBOR + 1.135% variable rate loan notes maturing October 2023.
- US\$143 million of 6-month USD LIBOR + 1.0325% variable rate loan notes maturing October 2025.
- US\$70 million of 2.77% fixed rate loan notes maturing April 2022.
- US\$85 million of 6-month USD LIBOR + 0.82% variable rate loan notes maturing April 2027.
- US\$85 million of 6-month USD LIBOR + 0.87% variable rate loan notes maturing April 2030.

Alpha Partners Leasing Limited

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

The above creditor is net of private placement loan fees of US\$5.2 million and interest rate swap fees of US\$0.3million.

Loans from related parties relate to three loans with a total principal amount outstanding of US\$55.4 million as at 31 December 2016.

The first loan matures over a seven year period, starting 12 July 2010 and ending 12 July 2017, with interest being payable 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.

The second loan matures over a seven year period, starting 12 December 2012 and ending 12 July 2019, with interest being payable on a quarterly basis at a coupon interest rate of 2.26% per annum. Principal repayments of US\$220,000 per quarter are made over the duration of the loan, with a final payment of the remaining principal outstanding being made on 12 July 2019.

The third loan matures over a ten year period, starting 12 December 2012 and ending 12 October 2022, with interest being payable on a quarterly basis at a coupon interest rate of 2.88% per annum. Variable quarterly principal repayments are made over the duration of the loan, with a final payment of the remaining principal outstanding being made on 12 October 2022.

The above borrowings were obtained in order to purchase the fixed assets of the Group. The loans are secured against the Company's share in its subsidiary undertaking and against those fixed assets purchased.

Alpha Partners Leasing Limited

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

18 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No.	\$	No.	\$
'A' ordinary shares of \$1 each	450	450	350	350
'B' ordinary shares of \$1 each	450	450	350	350
	<u>900</u>	<u>900</u>	<u>700</u>	<u>700</u>

During the year the company issued:

- 100 'A' ordinary shares of \$1 each at a premium of \$249,999 per share for a total consideration of \$25m.
- 100 'B' ordinary shares of \$1 each at a premium of \$249,999 per share for a total consideration of \$25m.

19 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2016 \$ 000	2015 \$ 000
Later than one year and not later than five years	-	16,442

The amount of non-cancellable operating lease payments recognised as an expense during the year was \$Nil (2015 - \$6,421,000).

20 Pension and other schemes

The Company's employees 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 FRS102 paragraph 28.11 Retirement Benefits, the scheme has been accounted for as a defined contribution scheme in these accounts.

On this basis, the total employer contributions for 2016 were US\$118,000 (2015 - US\$145,000). The required disclosures related to the schemes are given in the group financial statements of Rolls-Royce Holdings PLC.

Alpha Partners Leasing Limited

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

21 Commitments

Group

Capital commitments

The total amount contracted for but not provided in the financial statements was \$Nil (2015 - \$Nil).

22 Financial guarantee contracts

Group

The Group and certain affiliates are party to loan facilities. The Company provides guarantees in respect of related parties of US\$243 million (2015 - US\$273 million). The related parties guarantee the obligations of the Group under the loan facility on a reciprocal basis.

23 Related party transactions

Group

In the course of normal operations, the Group has contracted on an arm's length basis with subsidiary undertakings of Rolls-Royce Holdings plc. The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the financial statements are summarised below:

Alpha Partners Leasing Limited

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

Income and receivables from related parties

	\$ 000
2016	
Sale of goods, services and fixed assets	72,514
Management fee income	947
Sales made on behalf of the Group	9,564
	<u>83,025</u>
2015	\$ 000
Sale of goods, services and fixed assets	49,808
Management fee income	1,098
Sales made on behalf of the Group	1,792
	<u>52,698</u>

Expenditure with and payables to related parties

	\$ 000
2016	
Purchase of goods, services and fixed assets	444,475
Recharged expenditure made on behalf of the Group	4,109
	<u>448,584</u>
2015	\$ 000
Purchase of goods, services and fixed assets	312,591
Recharged expenditure made on behalf of the Group	4,987
	<u>317,578</u>

Alpha Partners Leasing Limited

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

24 Financial instruments

Group	2016	2015
Categorisation of financial instruments	\$000	\$000
Financial assets measured at fair value through profit or loss	7,120	8,245

Financial liabilities measured at fair value

Interest rate swap

The fair value of interest rate swaps is based on broker quotes

The fair value is \$7,120,000 (2015 - \$8,245,000) and the change in value included in profit or loss is \$(3,059,000) (2015 - \$904,000).

Fair value hedges

Interest rate swap

US\$100 million of fixed rate borrowing has been swapped to variable rate using interest rate swaps maturing in 2020. The swaps receive interest at a fixed rate of 3.31% and require payment of interest at a variable rate equal to 6-month USD LIBOR plus 1.0735%.

US\$95 million of fixed rate borrowing has been swapped to variable rate using interest rate swaps maturing in 2023. The swaps receive interest at a fixed rate of 3.99% and require payment of interest at a variable rate equal to 6-month USD LIBOR plus 1.1625%.

The fair value of the financial instruments designated as hedging instruments at 31 December 2016 is \$6,045,000 (2015 - \$9,104,000).

The amount of the change in fair value of the hedging instrument recognised in profit or loss for the period is \$(3,059,000) (2015 - \$904,000).

The amount of the change in fair value of the hedged item recognised in profit or loss for the period is \$3,059,000 (2015 - \$(904,000)).

Cash flow hedges

Interest rate swap

An amortising profile of floating interest rate borrowings, starting at US\$399 million, has been swapped to fixed rate using interest rate swaps maturing in 2022. The swaps receive interest at a variable rate equal to 6-month USD LIBOR and require payment of interest at a fixed rate of 1.613125%.

The fair value of the financial instruments designated as hedging instruments at 31 December 2016 is \$1,086,000 (2015 - \$(848,000)).

The amount of the change in fair value of the hedging instrument that was recognised in other comprehensive income during the period is \$(1,934,000) (2015 - \$130,000).

The amount reclassified from equity to profit or loss for the period is \$Nil (2015 - \$Nil).

The amount of any excess of the fair value of the hedging instrument over the change in the fair value of the expected cash flows that was recognised in profit or loss for the period is \$Nil (2015 - \$Nil).

Alpha Partners Leasing Limited

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

Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models

	2016						2015					
	Carrying amount	Expected cash flow	1 year or less	1 to 2 years	2 to 5 years	5 years and over	Carrying amount	Expected cash flow	1 year or less	1 to 2 years	2 to 5 years	5 years and over
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Interest rate swaps:												
Assets	1,086	1,075	(623)	(62)	1,468	292						
Liabilities							(848)	(859)	(2,183)	(603)	1,123	804

Alpha Partners Leasing Limited

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

25 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.

26 Non adjusting events after the financial period

On 8 February 2017, the Group entered into a revolving credit agreement with its affiliate RRP Engine Leasing (US) LLC. The loan is a revolving credit facility and has maximum utilization amount of to \$150,000,000 and expires on February 11, 2020.

Under the terms of the facility, RRP Engine Leasing Ltd (the borrower) is able to make minimum drawings and repayments of \$3,000,000 during the term of the loan subject to three business days' notice. The facility bears interest at a rate of LIBOR plus 0.5%. On 23 March 2017, the loan balance outstanding under this agreement is \$24,000,000.

The Group has evaluated subsequent events from the balance sheet date through to the date at which the financial statements are available to be issued, and determined that there are no other items to disclose.