

Registration number: 4133746

Alpha Partners Leasing Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2018



Alpha Partners Leasing Limited

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Alpha Partners Leasing Limited

Company Information

Directors

M Brooks

M Dix

T A Ellman

M A Garrett

J Harvey

R C Lyons

Company secretary

R Johnson

Registered office

1 Brewers' Green

London

SW1H 0RH

England

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

WC2N 6RH

Alpha Partners Leasing Limited

Strategic Report for the Year Ended 31 December 2018

The Directors present their strategic report for the year ended 31 December 2018. The comparative results for the prior period refer to the year ended 31 December 2017.

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 250 engines, and closed with 274 engines. During the year the Group acquired 40 engines and disposed 13 engines, 4 engines were transferred to finance lease and 1 engine was transferred from finance lease. The Group also had an engine finance lease portfolio of 21 engines (2017: 16 engines).

The Group increased its revenue by 33% compared to the previous year. This was mainly due to growth in the Group's lease engine portfolio, acquisition of new generation engines commanding higher rental rates and increase in parts trading revenues.

Both the level of business and the year-end financial position were satisfactory.

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

	Unit	2018	2017
Number of engines in operating lease portfolio		274	250
Number of engines in finance lease portfolio		21	16
Net Book Value of assets held for use in operating leases at year end	\$000	3,530,914	2,859,850
Revenue	\$000	339,329	254,561
Profit on disposal of fixed assets	\$000	7,376	7,717
Profit before taxation	\$000	99,499	90,776

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are the risk of engines being off lease for extended periods, the risk of customer bankruptcy and resultant bad debts, the risk of funding availability and interest rate risk.

Approved by the Board on 27/6/19 and signed on its behalf by:



M A Garrett
Director

Alpha Partners Leasing Limited

Directors' Report for the Year Ended 31 December 2018

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2018.

Directors of the Group

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

M Brooks (appointed 20 December 2018)

M Dix

T A Ellman (appointed 20 December 2018)

M A Garrett

J Harvey (appointed 18 June 2019)

R C Lyons

M Brady (resigned 31 May 2019)

D A Golden (resigned 20 December 2018)

D J Spooner (resigned 20 December 2018)

Dividends

The Directors declared interim dividends for the year totalling US\$41,800 per 'A' and 'B' ordinary share (2017: US\$25,154 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\$62,700,000 (2017: US\$32,700,000).

Future developments

The Directors expect that the general level of activity will be sustained for the foreseeable future.

Going concern

The Company meets its day to day working capital requirement through cash reserves and borrowings. The Company therefore continues to adopt the going concern basis in preparing its financial statements. (See note 2 for further details.)

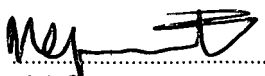
Directors' liabilities

A qualifying third party indemnity provision was in place for all of the Directors during the year and up to the date of approval of the Directors' Report.

Disclosure of information to the auditors

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

Approved by the Board on 27/6/19 and signed on its behalf by:


.....
M A Garrett
Director

Alpha Partners Leasing Limited

Statement of Directors' Responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Alpha Partners Leasing Limited

Independent Auditor's Report to the Members of Alpha Partners Leasing Limited

Report on the audit of the financial statements

Opinion

In our opinion, Alpha Partners Leasing Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2018; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial

Alpha Partners Leasing Limited

Independent Auditor's Report to the Members of Alpha Partners Leasing Limited

statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Alpha Partners Leasing Limited

Independent Auditor's Report to the Members of Alpha Partners Leasing Limited

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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
- certain disclosures of Directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



.....
Christopher Richmond (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountant and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Date: 27 June 2019

Alpha Partners Leasing Limited

Consolidated Income Statement for the Year Ended 31 December 2018

	Note	2018 \$ 000	2017 \$ 000
Revenue	4	339,329	254,561
Cost of sales		<u>(168,044)</u>	<u>(133,009)</u>
Gross profit		171,285	121,552
Administrative expenses		(7,577)	(6,183)
Other operating income	5	<u>4,666</u>	<u>12,079</u>
Operating profit		168,374	127,448
Net profit on sale of tangible fixed assets		<u>7,376</u>	<u>7,717</u>
Profit on ordinary activities before interest		175,750	135,165
Interest receivable and similar income		820	384
Interest payable and similar expense	10	<u>(77,071)</u>	<u>(44,773)</u>
Profit before taxation		99,499	90,776
Taxation	11	<u>(18,399)</u>	<u>(15,382)</u>
Profit for the financial year		<u>81,100</u>	<u>75,394</u>

The above results were derived from continuing operations.

The notes on pages 15 to 41 form an integral part of these financial statements.

Alpha Partners Leasing Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2018

	2018	2017
	\$ 000	\$ 000
Profit for the year	81,100	75,394
Cash flow hedging reserve movements	929	1,621
Total comprehensive income for the year	<u>82,029</u>	<u>77,015</u>

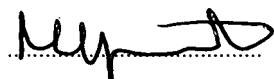
Alpha Partners Leasing Limited

(Registration number: 4133746)

Consolidated Balance Sheet as at 31 December 2018

	Note	2018 \$ 000	2017 \$ 000
Non-current assets			
Property, plant and equipment	13	3,571,195	2,859,850
Other financial assets	14	206,308	155,456
		<u>3,777,503</u>	<u>3,015,306</u>
Current assets			
Inventories	16	20,979	12,143
Receivables	17	55,006	36,769
Cash at bank		<u>131,399</u>	<u>31,436</u>
		207,384	80,348
Payables: Amounts falling due within one year	18	<u>(141,038)</u>	<u>(380,300)</u>
Net current assets/(liabilities)		<u>66,346</u>	<u>(299,952)</u>
Total assets less current liabilities		3,843,849	2,715,354
Payables: Amounts falling due after more than one year	19	(2,987,786)	(1,918,638)
Provisions for liabilities	21	<u>(178,007)</u>	<u>(159,609)</u>
Net assets		<u>678,056</u>	<u>637,107</u>
Equity			
Called up share capital	23	1	1
Share premium		223,319	201,699
Capital reserve		42,708	42,708
Cash flow hedging reserve		3,636	2,707
Retained earnings		<u>408,392</u>	<u>389,992</u>
Shareholders' funds		<u>678,056</u>	<u>637,107</u>

Approved and authorised by the Board on 27/1/19 and signed on its behalf by:



M A Garrett

Director

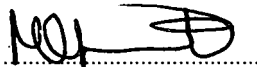
The notes on pages 15 to 41 form an integral part of these financial statements.

Alpha Partners Leasing Limited
(Registration number: 4133746)
Company Balance Sheet as at 31 December 2018

	Note	2018 \$ 000	2017 \$ 000
Non-current assets			
Investments	15	223,320	201,701
Current assets			
Cash at bank		16	12
Payables: Amounts falling due within one year	18	(1)	(1)
Net current assets		15	11
Net assets		223,335	201,712
Equity			
Called up share capital	23	1	1
Share premium		223,319	201,699
Retained earnings		15	12
Total equity		223,335	201,712

The Company made a profit after tax for the financial year of \$62,703,000 (2017: profit of \$32,703,000).

Approved and authorised by the Board on 27/6/19 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 2018
Equity attributable to the parent company

	Share capital \$ 000	Share premium \$ 000	Capital reserve \$ 000	Cash flow hedging reserve \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2018	1	201,699	42,708	2,707	389,992	637,107
Profit for the year	-	-	-	-	81,100	81,100
Other comprehensive income	-	-	-	929	-	929
Total comprehensive income	-	-	-	929	81,100	82,029
Dividends	-	-	-	-	(62,700)	(62,700)
New share capital subscribed	-	21,620	-	-	-	21,620
At 31 December 2018	1	223,319	42,708	3,636	408,392	678,056

	Share capital \$ 000	Share premium \$ 000	Capital reserve \$ 000	Cash flow hedging reserve \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2017	1	128,499	42,708	1,086	347,298	519,592
Profit for the year	-	-	-	-	75,394	75,394
Other comprehensive income	-	-	-	1,621	-	1,621
Total comprehensive income	-	-	-	1,621	75,394	77,015
Dividends	-	-	-	-	(32,700)	(32,700)
New share capital subscribed	-	73,200	-	-	-	73,200
At 31 December 2017	1	201,699	42,708	2,707	389,992	637,107

The notes on pages 15 to 41 form an integral part of these financial statements.

Alpha Partners Leasing Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2018	1	201,699	12	201,712
Profit for the year	-	-	62,703	62,703
Total comprehensive income	-	-	62,703	62,703
Dividends	-	-	(62,700)	(62,700)
New share capital subscribed	-	21,620	-	21,620
At 31 December 2018	1	223,319	15	223,335

	Share capital \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2017	1	128,500	9	128,510
Profit for the year	-	-	32,703	32,703
Total comprehensive income	-	-	32,703	32,703
Dividends	-	-	(32,700)	(32,700)
New share capital subscribed	-	73,199	-	73,199
At 31 December 2017	1	201,699	12	201,712

The notes on pages 15 to 41 form an integral part of these financial statements.

Alpha Partners Leasing Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2018

	2018 \$ 000	2017 \$ 000
Cash flows from operating activities		
Profit for the year	81,100	75,394
Adjustments to cash flows from non-cash items		
Depreciation	146,649	121,634
Profit on disposal of tangible fixed assets	(7,376)	(7,717)
Interest receivable and similar income	(820)	(384)
Interest payable and similar expense	77,071	44,773
Income tax expense	18,399	15,382
	<u>315,023</u>	<u>249,082</u>
Working capital adjustments		
Decrease in inventories	832	2,778
(Increase)/decrease in trade and other receivables	(8,523)	14,625
Increase in trade and other payables	43,224	17,431
Cash generated from operations	<u>350,556</u>	<u>283,916</u>
Income taxes (paid)/received	(1)	0
Net cash inflow from operating activities	<u>350,555</u>	<u>283,916</u>
Cash flows from investing activities		
Interest received	820	382
Acquisitions of tangible fixed assets	(930,262)	(681,648)
Proceeds from sale of tangible fixed assets	48,457	29,134
Investment in new finance lease assets	(44,236)	(64,925)
Net cash outflow from investing activities	<u>(925,221)</u>	<u>(717,057)</u>
Cash flows from financing activities		
Interest paid	(60,261)	(38,014)
Proceeds from issue of ordinary shares, net of issue costs	21,620	73,200
Repayment of bank and other borrowings	(894,800)	(582,006)
Proceeds from bank and other borrowing draw downs (net of issue costs)	1,670,770	1,018,402
Dividends paid	(62,700)	(32,700)
Net cash inflow from financing activities	<u>674,629</u>	<u>438,882</u>
Net increase in cash and cash equivalents	99,963	5,741
Cash and cash equivalents at 1 January	31,436	25,695
Cash and cash equivalents at 31 December	<u><u>131,399</u></u>	<u><u>31,436</u></u>

The notes on pages 15 to 41 form an integral part of these financial statements.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

The Company is a private company limited by share capital incorporated in England and Wales under the Companies Act. The address of its registered office is:

1 Brewer's Green
London
SW1H 0RH
England

2 Accounting policies

Basis of preparation

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 and under the Companies Act 2006. 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.

The preparation of financial statements in conformity to FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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.

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.

No income statement is presented for the Company as permitted by section 408 of the Companies Act 2006. The Company has also taken advantage of the disclosure exemption provided under Section 1.12(b) of FRS102 to not prepare a Statement of Cash Flows.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2018.

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 income statement 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.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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.

Going concern

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

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.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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.

Trade receivables

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

Trade receivables 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 receivables 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 debts.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities 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 non-current liabilities.

Trade payables 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 income statement 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 expense.

Borrowings are classified as payables 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 2018

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 the income statement. 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 the income statement. 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 income statement (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 the income statement 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 the income statement. 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 the income statement the hedging gain or loss is reclassified to the income statement. 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 income statement 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.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

Property, plant and equipment

Property, plant and equipment is stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

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 Group; 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.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell.

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, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the income statement.

Impairment

Financial assets (including trade and other receivables)

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.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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 Group 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 the income statement.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than inventories 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").

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 amounts receivable from certain customers. The purpose of the monies received is to cover essential maintenance incurred on the engine and balances are refunded as maintenance is incurred. Maintenance reserves are initially recognised within payables at the amount due from the customer when billed and subsequently reduced by the amounts incurred for maintenance. Any remaining maintenance reserve 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.

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.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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.

Revenue recognition

Revenue 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. Revenue is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the Group.

Net income from operating leases is credited to the income statement on a straight line basis over the term of the lease.

Income from finance leases is credited to the income statement in proportion to the funds invested.

Income from sales of inventory (spare parts sales) is recognised on despatch or, where it is the customer's responsibility to collect the item, when the item for sale is made ready for collection.

The Group recognises revenue when the amount of revenue 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 Company's activities.

Finance income and costs policy

Net financing costs comprise interest payable, amortisation of financing costs, unwinding of discount provisions, finance lease interest, interest receivable on funds invested and net foreign exchange gains or losses on financing activities.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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.

Current Tax

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 Tax

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.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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 receivable 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 revenue.

3 Critical accounting estimates and judgements

The Company makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the property, plant and equipment, and note 2 for the useful economic lives for each class of assets.

Impairment of property, plant and equipment

In reviewing the Group's property, plant and equipment for indications of impairment, the Group considers the valuation of its engine portfolio against its carrying amount. Valuation appraisals are carried out by industry experts but inherently include judgements and will be sensitive to similar factors as that for the useful economic lives of property, plant and equipment.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

4 Revenue

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

	2018 \$ 000	2017 \$ 000
Operating lease rentals	309,093	234,211
Fees and other revenue	-	1,503
Finance lease rentals	8,325	5,640
Spare parts sales	21,911	13,207
	<u>339,329</u>	<u>254,561</u>

An analysis of revenue by destination is as follows:

	2018 \$000	2017 \$000
United Kingdom	177,573	120,309
Rest of Europe	52,858	45,217
Americas	15,894	10,959
Asia, Oceania and Africa	93,004	78,076
	<u>339,329</u>	<u>254,561</u>

5 Other operating income

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

	2018 \$ 000	2017 \$ 000
Other operating income	4,666	12,079

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

6 Operating profit

Arrived at after charging

	2018 \$ 000	2017 \$ 000
Depreciation expense	146,649	121,634

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

7 Staff number and costs

The aggregate payroll costs were as follows:

	2018 \$ 000	2017 \$ 000
Wages and salaries	2,870	2,560
Social security costs	273	253
Pension costs, defined benefit scheme	203	150
	3,346	2,963

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

	2018 No.	2017 No.
Full-time equivalent employees	19	17

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.

8 Directors' remuneration

The Group and Company paid no emoluments to the Directors in respect of their services during the year (2017: \$Nil).

Directors are employed by the ultimate holding companies, GATX Corporation and Rolls-Royce Holdings plc and are remunerated by these companies. There were no recharges from these related parties to Alpha Partners Leasing Limited during the year (2017: \$Nil).

9 Auditors' remuneration

	2018 \$ 000	2017 \$ 000
Audit of these financial statements	61	20
Amounts receivable by the Company's auditors and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	227	155
Audit-related assurance services	-	20
	288	195

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

10 Interest payable and similar expense

	2018	2017
	\$ 000	\$ 000
Interest on bank overdrafts and borrowings	31,323	19,784
Interest on other loans	45,748	24,799
Interest expense on related party loans	-	190
	<u>77,071</u>	<u>44,773</u>

11 Taxation

Tax charged/(credited) in the income statement

	2018	2017
	\$ 000	\$ 000
Current taxation		
UK corporation tax	-	1
UK corporation tax adjustment to prior periods	-	(1)
	<u>-</u>	<u>-</u>
Foreign tax	1	-
	<u>1</u>	<u>-</u>
Total current income tax	1	-
Deferred taxation		
Arising from origination and reversal of timing differences	17,084	14,390
Arising from adjustments in respect of prior period	1,314	992
	<u>18,398</u>	<u>15,382</u>
Total deferred taxation	18,398	15,382
Tax expense in the income statement	<u>18,399</u>	<u>15,382</u>

The tax on profit before taxation for the year is lower than the standard rate of corporation tax in the UK (2017: lower than the standard rate of corporation tax in the UK) of 19% (2017:19.25%).

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

The differences are reconciled below:

	2018 \$ 000	2017 \$ 000
Profit before taxation	99,499	90,776
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	18,905	17,475
Expenses not deductible in determining taxable profit (tax loss)	188	(1,177)
Adjustments in respect of prior periods	1,314	992
Tax rate differential on temporary differences	(2,008)	(1,908)
Total tax charge	18,399	15,382

The Budget 2016 announced that the UK tax rate will reduce to 17% with effect from 1 April 2020. The rate reduction to 17% has been substantively enacted on 6 September 2016. The deferred tax assets and liabilities of UK companies within the Group have therefore been calculated at 17%.

12 Dividends

	2018 \$ 000	2017 \$ 000
Dividend of \$41,800 (2017: \$25,154) per 'A' ordinary and 'B' ordinary share	62,700	32,700

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

13 Property, plant and equipment

Group

	Engine pre delivery payments \$ 000	Assets held for use in operating leases \$ 000	Total \$ 000
Cost or valuation			
At 1 January 2018	-	3,449,843	3,449,843
Additions	40,281	942,856	983,137
Disposals	-	(151,974)	(151,974)
At 31 December 2018	40,281	4,240,725	4,281,006
Depreciation			
At 1 January 2018	-	589,993	589,993
Charge for the year	-	146,649	146,649
Eliminated on disposal	-	(30,301)	(30,301)
Maintenance reserves utilised	-	3,470	3,470
At 31 December 2018	-	709,811	709,811
Carrying amount			
At 31 December 2018	40,281	3,530,914	3,571,195
At 31 December 2017	-	2,859,850	2,859,850

During the year, assets with a value of US\$44,236,000 (2017: US\$64,925,000) were acquired for the purpose of letting under finance leases and shown under finance lease receivables (notes 14 and 17).

During the year, the operating lease agreements of assets with cost of US\$43,000,000 (2017: US\$ Nil) were converted into finance leases agreements. The accumulated depreciation on these engines was US\$14,984,000 (2017: US\$ Nil). The carrying amount of these assets are shown under finance lease receivables (notes 14 and 17).

14 Other financial assets

	2018 \$ 000	Group 2017 \$ 000
Derivatives used for hedging	4,392	5,699
Finance lease receivables	195,075	142,339
Non-current receivables	6,841	7,418
	206,308	155,456

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

15 Investments

Composition of the Group

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:

	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2018	2017
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%
Alpha Leasing (No.12) Limited*	England	Ordinary shares	100%	100%
Alpha Leasing (No. 14) Limited*	England	Ordinary shares	100%	0%
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%
Omega Leasing (No. 12) Limited	England	Ordinary shares	100%	100%
Omega Leasing (No. 14) Limited	England	Ordinary shares	100%	0%

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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%

* indicates direct investment of the Company

Principal activities

Alpha Leasing Limited - Holding company

Alpha Leasing (No. 4) Limited - Holding company

Alpha Leasing (No.9) Limited - Holding company

Alpha Leasing (No.10) Limited - Holding company

Alpha Leasing (No.11) Limited - Holding company

Alpha Leasing (No.12) Limited - Holding company

Alpha Leasing (No. 14) Limited - Holding company

Omega Leasing Limited - Leasing of aero engines

Omega Leasing (No.4) Limited - Leasing of aero engines

Omega Leasing (No.9) Limited - Leasing of aero engines

Omega Leasing (No.10) Limited - Leasing of aero engines

Omega Leasing (No.11) Limited - Leasing of aero engines

Omega Leasing (No. 12) Limited - Leasing of aero engines

Omega Leasing (No. 14) Limited - Leasing of aero engines

Rolls-Royce & Partners Finance Limited - Holding company

Rolls-Royce Engine Leasing (Labuan) Limited - Leasing of aero engines

Rolls-Royce Engine Leasing (Labuan) (No. 2) Limited - Leasing of aero engines

RRPF Engine Leasing Limited - Leasing of aero engines

RRPF Engine Leasing (No.2) Limited – Dormant (and exempt from audit under s.479A Companies Act 2006)

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

Registered office

The registered address for Rolls-Royce Engine Leasing (Labuan) Limited and Rolls-Royce Engine Leasing (Labuan) (No. 2) Limited is Unit Level 13(A), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000, Federal Territory of Labuan, Malaysia.

The registered office of all other subsidiary undertakings is 1 Brewer's Green, London, SW1H 0RH, England.

Company

	2018 \$ 000	2017 \$ 000
Investments in subsidiaries	223,320	201,701

Subsidiaries \$ 000

Cost or valuation

At 1 January 2018 201,701

Additions 21,619

At 31 December 2018 223,320

Carrying amount

At 31 December 2018 223,320

At 31 December 2017 201,701

During the year the Company purchased the shares of Alpha Leasing (No. 14) Limited, which is the parent of Omega Leasing (No. 14) Limited.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

16 Inventories

	2018	Group 2017
	\$ 000	\$ 000
Aero engine spare parts	20,979	12,143

Inventories are stated after provisions for impairment of US\$4,628,000 (2017: US\$560,000).

17 Receivables

	2018	Group 2017
	\$ 000	\$ 000
Trade receivables	7,197	2,461
Amounts owed by related parties	1,903	4
Group relief receivable	1,736	1,736
Other receivables	1,565	1,454
Prepayments	27,321	19,191
Finance lease receivables	15,284	11,923
Due within one year	55,006	36,769

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

18 Payables: Amounts falling due within one year

		2018	Group	2018	Company
	Note	\$ 000	2017 \$ 000	\$ 000	2017 \$ 000
Loans and borrowings	20	55,295	349,777	-	-
Trade payables		2,013	1,002	-	-
Amounts owed to related parties		8,679	228	-	1
Other payables		5,547	3,529	-	-
Accrued expenses		35,058	23,764	-	-
Group relief payable	11	-	-	1	-
Maintenance reserves		34,446	2,000	-	-
		<u>141,038</u>	<u>380,300</u>	<u>1</u>	<u>1</u>

19 Payables: Amounts falling due after more than one year

		2018	Group
	Note	\$ 000	2017 \$ 000
Loans and borrowings	20	2,883,266	1,810,141
Maintenance reserves		84,238	97,702
Other non-current liabilities		<u>20,282</u>	<u>10,795</u>
		<u>2,987,786</u>	<u>1,918,638</u>

Group

Maintenance reserves included in payables falling due within one year and after one year above comprise:

	2018	2017
	\$000	\$000
At the beginning of the year	99,702	102,141
Provided/received during the year	36,170	36,910
Released during the year	(6,334)	(12,080)
Paid out during the year	(2,258)	(7,054)
Released on disposals	(8,596)	(20,215)
At the end of the year	<u>118,684</u>	<u>99,702</u>

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

20 Borrowings

	2018 \$ 000	Group 2017 \$ 000
Loans and borrowings due within one year		
Bank borrowings	12,353	347,202
Other borrowings	42,942	2,575
	<u>55,295</u>	<u>349,777</u>

	2018 \$ 000	Group 2017 \$ 000
Loans and borrowings due after more than one year		
Bank borrowings	1,254,214	885,387
Other borrowings	1,629,052	924,754
	<u>2,883,266</u>	<u>1,810,141</u>

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

	2018 \$ 000	2017 \$ 000
After more than five years by instalments	100,295	126,029
After more than five years not by instalments	1,783,102	781,192
	<u>1,883,397</u>	<u>907,221</u>

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

Bank borrowings

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

Revolving credit facility

Under the facility agreement the Group and its affiliates can make eligible drawings up to US\$450 million. Borrowings are secured by the assets of the Group and its affiliates.

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. On 11 May 2018, an Amendment Deed was agreed between the lenders, the Group and its affiliates allowing the termination date to be extended to 11 May 2023, with two 1 year extension options. In March 2019, the Group exercised an option to extend the termination date to 11 May 2024.

The facility includes an accordion option which makes additional funds available upon request. The total amount of funds available per the terms of the accordion option is US\$150 million. As of 31 December 2018 the Group had not exercised this option.

Bank loans

The carrying amount of the Group's bank loans and facilities as at 31 December 2018 comprised of:

- US\$639 million of fixed interest loans maturing between April 2026 and June 2029
- US\$263 million of variable interest loan notes (3-month USD LIBOR + margins between 0.5% and 1%), payable by instalments and maturing between October 2021 and October 2022

Other loans

Other loans relate to private placements and related party loans.

Loan notes issued by subsidiary companies totalled US\$1,791 million, of which US\$132 million was repaid as at 31 December 2018. The carrying amounts of the loan notes comprised of:

- US\$470 million of fixed interest loan notes with maturity dates between October 2023 and June 2033
- US\$259 million of fixed interest loan notes payable by instalments with maturity dates between October 2022 and July 2028
- US\$930 million of variable interest loan notes (6-month USD LIBOR + margins between 0.8% and 1.2%) with maturity dates between October 2020 and June 2030

The above other borrowings are net of private placement loan fees of US\$8.3 million (2017: US\$5.2 million) and interest rate swap fees of US\$0.3 million (2017: US\$0.3 million).

Loans from related parties relate to a loan with a total principal amount outstanding of US\$18 million as at 31 December 2018.

The 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 2018

21 Provisions for liabilities

Group

Deferred tax assets and liabilities

	Liability
	\$ 000
2018	
Tangible fixed assets	177,565
Losses	(174)
Other temporary differences	616
	<u>178,007</u>
2017	
Tangible fixed assets	159,308
Losses	(157)
Other temporary differences	458
	<u>159,609</u>

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

22 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 financial statements.

On this basis, the total employer contributions for 2018 were US\$203,000 (2017: US\$150,000). 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 2018

23 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No.	\$	No.	\$
'A' ordinary shares of \$1 each	750	750	650	650
'B' ordinary shares of \$1 each	750	750	650	650
	1,500	1,500	1,300	1,300

During the year the Company issued:

- 100 'A' ordinary shares of \$1 each at a premium of \$108,099 per share for a total consideration of \$10.8m
- 100 'B' ordinary shares of \$1 each at a premium of \$108,099 per share for a total consideration of \$10.8m

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

24 Leases

Group

Finance leases - lessor

The amount of the net investment in a finance lease is determined as shown in the following table:

	2018 \$ 000	2017 \$ 000
Minimum lease payments	270,350	191,211
Unguaranteed residual value	-	-
Gross investment	270,350	191,211
Unearned finance income	(59,992)	(36,950)
Net investment (present value of minimum lease payments)	210,358	154,261

The gross investment amount and the present value of payable minimum lease payments are shown in the following table:

	2018		2017	
	\$ 000		\$ 000	
	Gross investment	Present value of	Gross investment	Present value of
	in lease	minimum lease	in lease	minimum lease
		payments		payments
Maturity				
Not later than one year	26,170	15,283	18,591	11,770
Later than one year and not later than five years	124,655	91,424	102,966	81,750
Later than five years	119,525	103,651	69,654	60,741
	270,350	210,358	191,211	154,261

Contingent rents recognised as income in the period are \$Nil (2017: \$Nil).

Operating leases - lessor

The total of future minimum lease payments is as follows:

	2018 \$ 000	2017 \$ 000
Not later than one year	356,354	255,306
Later than one year and not later than five years	1,083,535	819,159
Later than five years	401,663	529,572
	1,841,552	1,604,037

Total contingent rents recognised as income in the period are \$Nil (2017: \$Nil).

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

25 Commitments

Group

Capital commitments

The total amount contracted for but not provided in the financial statements was \$Nil (2017: \$37,806,000).

26 Financial guarantee contracts

Group

The Group and certain affiliates are party to loan facilities. The Company did not provide any guarantee in respect of related parties during the year (2017: \$203 million).

The Group and certain affiliates are also party to private placement loan note funding. The Company did not provide any guarantee in respect of related parties during the year (2017: \$85 million).

27 Financial instruments

Group

Categorisation of financial instruments

	2018 \$ 000	2017 \$ 000
Financial assets measured at fair value through profit or loss	4,392	5,699
	<u>4,392</u>	<u>5,699</u>

Financial assets measured at fair value

Interest rate swap

The fair value of interest rate swaps is estimated by discounting expected future contractual cash flows using prevailing interest rate curves.

The fair value is \$4,392,000 (2017: \$5,699,000) and the change in value included in the income statement is \$(3,824,000) (2017: \$(3,042,000)).

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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%. This hedged borrowing was fully repaid in June 2018 resulting the swap terminating.

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 2018 is \$767,000 (2017: \$3,004,000). The amount of the change in fair value of the hedging instrument recognised in the income statement for the period is \$(3,824,000) (2017: \$(3,042,000)). The amount of the change in fair value of the hedged item recognised in the income statement for the period is \$3,824,000 (2017: \$3,042,000).

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. These swaps are designated instruments in the cash flow hedge and receive interest at a variable rate equal to 6-month USD LIBOR and require payment of interest at a fixed rate of 1.613125%. Cash flows relating to these cash flow hedging instruments are expected to occur bi-annually.

The fair value of the financial instruments designated as hedging instruments at 31 December 2018 is \$3,624,000 (2017: \$2,707,000). The amount of the change in fair value of the hedging instrument that was recognised in other comprehensive income during the period is \$(1,852,000) (2017: \$(1,124,000)). The amount reclassified from equity to the income statement for the period is \$923,000 (2017: \$(497,000)). 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 the income statement for the period is \$Nil (2017: \$Nil).

In the prior period, the amount reclassified from equity to the income statement was included within the amount of the change in fair value of the hedging instrument that was recognised in other comprehensive income. In these financial statements, the two items are disclosed separately and the comparatives have been adjusted accordingly.

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Notes to the Financial Statements for the Year Ended 31 December 2018

28 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:

Income from related parties

2018	\$ 000
Rental income and sale of fixed assets	155,159
Management fee income	340
Sales of goods made by related parties on behalf of the Group	<u>8,360</u>
Total income	<u>161,883</u>
Amounts receivable from related party	<u>3,639</u>

2017	\$ 000
Rental income and sale of fixed assets	101,303
Management fee income	505
Sales of goods made by related parties on behalf of the Group	<u>6,236</u>
Total income	<u>108,044</u>
Amounts receivable from related party	<u>17,931</u>

Expenditure with related parties

2018	\$ 000
Purchase of fixed assets	696,896
Recharged expenditure made on behalf of the Group	<u>6,513</u>
Total purchases	<u>703,409</u>
Amounts payable to related party	<u>26,687</u>

2017	\$ 000
Purchase of fixed assets	586,259
Recharged expenditure made on behalf of the Group	3,542
Engines purchased for the purpose of letting under finance lease	<u>64,926</u>
Total purchases	<u>654,727</u>
Amounts payable to related party	<u>16,639</u>

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

29 Non adjusting events after the financial period

In early 2019, Airbus announced it will cease delivery of the A380 in 2021. There should be no material impact to the results of the Group as a result of this announcement.

The Group closed \$700m of private placement loans in early 2019, which will be drawn in tranches during that year. The borrowings were obtained in order to purchase property, plant and equipment of the Group.

30 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 233 South Wacker Drive, Chicago IL 60606-7147, Illinois, USA.