

Registration number: 4133746

Alpha Partners Leasing Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2019



Alpha Partners Leasing Limited

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Alpha Partners Leasing Limited

Company Information

| | |
|--------------------------|--|
| Directors | J E Harvey |
| | M A Garrett |
| | T A Ellman |
| | M Dix |
| | R C Lyons |
| | E Harkness |
| Company secretary | R Johnson |
| Registered office | 1 Brewer's Green |
| | London |
| | SW1H 0RH |
| | England |
| 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 2019

The Directors present their strategic report for the year ended 31 December 2019. The comparative results for the prior period refer to the year ended 31 December 2018.

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 274 engines, and closed with 303 engines. During the year the Group acquired 42 engines and disposed 10 engines and 3 engines were transferred to finance lease. The Group also had an engine finance lease portfolio of 28 engines (2018: 21 engines).

The Group increased its revenue by 21% 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 | 2019 | 2018 |
|---|-------|-----------|-----------|
| Number of engines in operating lease portfolio | | 303 | 274 |
| Number of engines in finance lease portfolio | | 28 | 21 |
| Net Book Value of assets held for use in operating leases at year end | \$000 | 4,099,841 | 3,530,914 |
| Revenue | \$000 | 410,651 | 339,329 |
| Profit on disposal of fixed assets | \$000 | 38,861 | 7,376 |
| Profit before taxation | \$000 | 162,558 | 99,499 |

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 3 April 2020 and signed on its behalf by:

.....
J E Harvey
Director

Alpha Partners Leasing Limited

Directors' Report for the Year Ended 31 December 2019

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2019.

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:

J E Harvey (appointed 18 June 2019)

M Brooks (resigned 31 January 2020)

M A Garrett

T A Ellman

M Dix

R C Lyons

M Brady (resigned 31 May 2019)

The following director was appointed after the year end:

E Harkness (appointed 26 March 2020)

Dividends

The Directors declared interim dividends for the year totalling US\$21,471 per 'A' and 'B' ordinary share (2018: US\$41,800 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\$36,500,000 (2018: US\$62,700,000).

Future developments

The Directors have given consideration to the ongoing impact of the COVID-19 virus across the Group's operations, given the evolving nature of the situation it is not possible to quantify the impact that COVID-19 could have on the Group's financial performance and position.

Going concern

The Company meets its day to day working capital requirement through its cash reserves and borrowings. The Group has given consideration to the ongoing impact of the COVID-19 virus across the Group's operations and different scenarios have been modelled and the Directors have reasonable expectations that the Group are well placed to manage business risks and to continue in operational existence for the foreseeable future. The Group 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.

Alpha Partners Leasing Limited

Directors' Report for the Year Ended 31 December 2019

Directors' Duties

The Directors of the Company, as those of all UK Companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

'A director of the company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of the decision in the long term
- the interests of the company's employees
- the need to foster the company's business relationships with suppliers, customers and others
- the impact of the company's operations on the community and environment
- the desirability of the company maintaining a reputation for high standards of business conduct: and
- the need to act fairly as between shareholders of the company.'

Each year the Board undertakes an in-depth review of the Company's strategy, including the business plan for the following three years. Once approved by the Directors, the plan and strategy form the basis for financial budgets, resource plans and investment decisions.

As a relatively small company with under 30 employees, the Directors have a high level of visibility of their interests and aims to be a responsible employer at all times.

The Directors recognise the importance of strong relationships with the Company's suppliers, customers and other stakeholders and take these into account when considering relevant decisions. The intention is to nurture the business's reputation to ensure it accurately reflects the high standards the shareholders expect.

The Company recognises the importance of the community and environment in which it operates. During the year the Company supported several charities which align with its values and the Directors intend to continue this going forward.

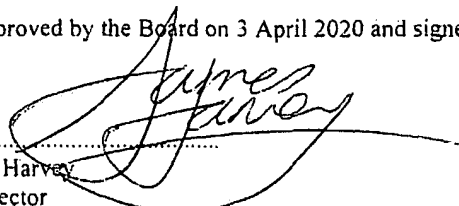
The Company is required to adhere to the Corporate Governance Codes of both of its Ultimate Parent Undertakings, Rolls-Royce Holdings plc and GATX Corporation. Details of which can be found in their consolidated Financial Statements, which can be obtained from the addresses listed in note 33 to these Financial Statements.

As the Board of Directors, our intention is to behave responsibly towards our shareholders, to act fairly and treat them equally.

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 3 April 2020 and signed on its behalf by:


.....
J E Harvey
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 2019 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 2019; 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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

Alpha Partners Leasing Limited

Independent auditor's report to the members of Alpha Partners Leasing Limited

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 2019 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 in respect of the Financial Statements set out on page 5, 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.

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.

Alpha Partners Leasing Limited

Independent auditor's report to the members of Alpha Partners Leasing Limited

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

3 April 2020

Alpha Partners Leasing Limited

Consolidated Income Statement for the Year Ended 31 December 2019

| | | | (As represented) |
|---|------|------------------|---------------------|
| | Note | 2019 \$ 000 | 2018 \$ 000 |
| Revenue | 6 | 410,651 | 339,329 |
| Cost of sales | | <u>(209,480)</u> | <u>(168,044)</u> |
| Gross profit | | 201,171 | 171,285 |
| Administrative expenses | | (9,214) | (7,577) |
| Other operating income | 7 | 41,064 | 4,666 |
| Profit on sale of property, plant and equipment | | <u>38,861</u> | <u>7,376</u> |
| Operating profit | | <u>271,882</u> | <u>175,750</u> |
| Interest receivable and similar income | | 4,486 | 820 |
| Interest payable and similar expenses | 12 | <u>(113,810)</u> | <u>(77,071)</u> |
| Profit before taxation | | 162,558 | 99,499 |
| Taxation | 13 | <u>(28,053)</u> | <u>(18,399)</u> |
| Profit for the financial year | | <u>134,505</u> | <u>81,100</u> |

The above results were derived from continuing operations.

The notes on pages 16 to 42 form an integral part of these financial statements.

Alpha Partners Leasing Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2019

| | 2019 \$ 000 | 2018 \$ 000 |
|---|----------------|----------------|
| Profit for the year | 134,505 | 81,100 |
| Unrealised gain/(loss) on cash flow hedges before tax | (3,407) | 929 |
| Income tax effect | (37) | - |
| | (3,444) | 929 |
| Total comprehensive income for the year | 131,061 | 82,029 |

The notes on pages 16 to 42 form an integral part of these financial statements.

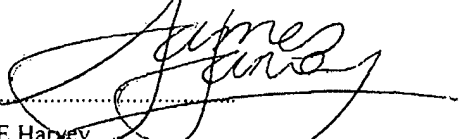
Alpha Partners Leasing Limited

(Registration number: 4133746)

Consolidated Balance Sheet as at 31 December 2019

| | Note | 2019 \$ 000 | 2018 \$ 000 |
|--|------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 15 | 4,100,735 | 3,571,195 |
| Investments | 17 | 250 | - |
| Other financial assets | 16 | 283,484 | 206,308 |
| | | <u>4,384,469</u> | <u>3,777,503</u> |
| Current assets | | | |
| Inventories | 18 | 23,709 | 20,979 |
| Receivables | 19 | 96,630 | 55,006 |
| Cash at bank | | 33,186 | 131,399 |
| | | <u>153,525</u> | <u>207,384</u> |
| Payables: Amounts falling due within one year | 20 | (292,838) | (141,038) |
| Net current (liabilities)/assets | | <u>(139,313)</u> | <u>66,346</u> |
| Total assets less current liabilities | | 4,245,156 | 3,843,849 |
| Payables: Amounts falling due after more than one year | 21 | (3,259,863) | (2,987,786) |
| Provisions for liabilities | 24 | (206,096) | (178,007) |
| Net assets | | <u>779,197</u> | <u>678,056</u> |
| Equity | | | |
| Called up share capital | 26 | 1 | 1 |
| Share premium | | 229,899 | 223,319 |
| Capital reserve | | 42,708 | 42,708 |
| Cash flow hedging reserve | | 192 | 3,636 |
| Retained earnings | | 506,397 | 408,392 |
| Shareholders' funds | | <u>779,197</u> | <u>678,056</u> |

Approved and authorised by the Board on 3 April 2020 and signed on its behalf by:


 J E Harvey
 Director

The notes on pages 16 to 42 form an integral part of these financial statements.

Alpha Partners Leasing Limited

(Registration number: 4133746)

Company Balance Sheet as at 31 December 2019

| | Note | 2019 \$ 000 | 2018 \$ 000 |
|---|------|----------------|----------------|
| Non-current assets | | | |
| Investments | 17 | 230,150 | 223,320 |
| Current assets | | | |
| Cash at bank | | 16 | 16 |
| Payables: Amounts falling due within one year | 20 | (1) | (1) |
| Net current assets | | 15 | 15 |
| Net assets | | <u>230,165</u> | <u>223,335</u> |
| Equity | | | |
| Called up share capital | | 1 | 1 |
| Share premium | | 229,899 | 223,319 |
| Retained earnings | | <u>265</u> | <u>15</u> |
| Total equity | | <u>230,165</u> | <u>223,335</u> |

The Company made a profit after tax for the financial year of \$36,750,125 (2018: profit of \$62,703,059).

Approved and authorised by the Board on 3 April 2020 and signed on its behalf by:

J E Harvey

Director

The notes on pages 16 to 42 form an integral part of these financial statements.

Alpha Partners Leasing Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2019
Equity attributable to the parent company

| | Share capital \$ 000 | Share premium \$ 000 | Capital reserve \$ 000 | Cash flow hedging reserves \$ 000 | Retained earnings \$ 000 | Total \$ 000 |
|------------------------------|-------------------------|-------------------------|---------------------------|--|--------------------------------|-----------------|
| At 1 January 2019 | 1 | 223,319 | 42,708 | 3,636 | 408,392 | 678,056 |
| Profit for the year | - | - | - | - | 134,505 | 134,505 |
| Other comprehensive income | - | - | - | (3,444) | - | (3,444) |
| Total comprehensive income | - | - | - | (3,444) | 134,505 | 131,061 |
| Dividends | - | - | - | - | (36,500) | (36,500) |
| New share capital subscribed | - | 6,580 | - | - | - | 6,580 |
| At 31 December 2019 | 1 | 229,899 | 42,708 | 192 | 506,397 | 779,197 |

| | Share capital \$ 000 | Share premium \$ 000 | Capital reserve \$ 000 | Cash flow hedging reserves \$ 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 |

The notes on pages 16 to 42 form an integral part of these financial statements.

Alpha Partners Leasing Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2019

| | Share capital \$ 000 | Share premium \$ 000 | Retained earnings \$ 000 | Total \$ 000 |
|------------------------------|-------------------------|-------------------------|--------------------------------|-----------------|
| At 1 January 2019 | 1 | 223,319 | 15 | 223,335 |
| Profit for the year | - | - | 36,750 | 36,750 |
| Total comprehensive income | - | - | 36,750 | 36,750 |
| Dividends | - | - | (36,500) | (36,500) |
| New share capital subscribed | - | 6,580 | - | 6,580 |
| At 31 December 2019 | 1 | 229,899 | 265 | 230,165 |
| | 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 |

The notes on pages 16 to 42 form an integral part of these financial statements.
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Alpha Partners Leasing Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2019

| | 2019 \$ 000 | 2018 \$ 000 |
|--|------------------|------------------|
| Cash flows from operating activities | | |
| Profit for the year | 134,505 | 81,100 |
| Adjustments to cash flows from non-cash items | | |
| Depreciation | 180,140 | 146,649 |
| Impairment | 5,381 | - |
| Profit on disposal of property, plant & equipment | (38,861) | (7,376) |
| Interest receivable and similar income | (4,486) | (820) |
| Interest payable and similar expense | 113,810 | 77,071 |
| Income tax expense | 28,090 | 18,399 |
| | <u>418,579</u> | <u>315,023</u> |
| Working capital adjustments | | |
| Decrease in inventories | 13,026 | 832 |
| Increase in trade and other receivables | (13,253) | (8,523) |
| Increase in trade and other payables | 43,620 | 43,224 |
| | <u>461,972</u> | <u>350,556</u> |
| Cash generated from operations | 461,972 | 350,556 |
| Income taxes paid | - | (1) |
| Net cash inflow from operating activities | <u>461,972</u> | <u>350,555</u> |
| Cash flows from investing activities | | |
| Interest received | 4,486 | 820 |
| Acquisitions of property, plant & equipment | (800,227) | (930,262) |
| Proceeds from sale of property, plant & equipment | 53,232 | 48,457 |
| Investment in new finance lease assets | (82,406) | (44,236) |
| Acquisition of investments in associates | (250) | - |
| | <u>(825,165)</u> | <u>(925,221)</u> |
| Net cash outflow from investing activities | (825,165) | (925,221) |
| Cash flows from financing activities | | |
| Interest paid | (101,500) | (60,261) |
| Proceeds from issue of ordinary shares, net of issue costs | 6,580 | 21,620 |
| Repayment of bank and other borrowings | (846,060) | (894,800) |
| Proceeds from bank and other borrowing draw downs (net of issue costs) | 1,242,460 | 1,670,770 |
| Dividends paid | (36,500) | (62,700) |
| | <u>264,980</u> | <u>674,629</u> |
| Net cash inflow from financing activities | 264,980 | 674,629 |
| Net (decrease)/increase in cash and cash equivalents | (98,213) | 99,963 |
| Cash and cash equivalents at 1 January | 131,399 | 31,436 |
| Cash and cash equivalents at 31 December | <u>33,186</u> | <u>131,399</u> |

The notes on pages 16 to 42 form an integral part of these financial statements.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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

Use of estimates

The preparation of financial statements in conformity with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' as issued in August 2014 ("FRS102") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 thousand

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 5.

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.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2019.

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.

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.

In addition, consideration has been given to the ongoing impact of the COVID-19 virus across the Group's operations and different scenarios have been modelled, the most severe being the effect of a 100% deferral of lease payments for 12 months with only 80% of those lease payments subsequently recovered, followed by a gradual return to previously forecast levels. This scenario has been modelled alongside the ability to control costs and to reduce forecast capital expenditure if required. Based on this assessment, the Directors are satisfied that the impact can be managed within the Group's current financing and covenant arrangements. The Directors have reasonable expectations that the Company and the Group are well placed to manage business risks and to continue in operational existence for the foreseeable future (which accounting standards require to be at least a year from the date of these Consolidated Financial Statements) and have not identified any material uncertainties to the Company's and the Group's ability to do so.

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.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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.

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.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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.

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.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Investments

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

Investments in associates, which are unconsolidated and which the Group has significant influence over, are accounted for using the equity method, and initially recognised at cost. The Group's interest in the net assets of associates is included in investments accounted for using the equity method in the balance sheet and its interest in their results is included in the income statement, above operating profit or loss. As at 31 December 2019, there was no profit or loss arising from the Group's investments in associates.

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.

Finance lease receivables

The Group leases engines to customers. At the start of each lease, the Group reviews all necessary terms and criteria to determine the appropriate lease classification. If a lease meets specific classification criteria, the lease will be recognised as net investment in finance lease on the Consolidated Balance Sheet while the engine will be derecognised from assets held for operating leases. The amounts recognized for finance leases consist of lease receivables and the estimated unguaranteed residual value of the engine on the lease termination date, less the unearned income. Expected unguaranteed residual values are based on the Group's assessment of the values of the engine and, if applicable, the estimated end of lease payments expected at the expiration of the lease.

Inventories

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

The method by which amounts are removed from inventory is by the average estimated cost per unit. 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.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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.

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. 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. The Group considers the valuation appraisals carried out by industry experts for the fair value of its engine portfolio and other material assets. 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" (CGUs). The Group considers each engine to be an individual CGU. There were no assets grouped as CGUs during the year.

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.

Maintenance reserves

Maintenance reserves represent amounts receivable from certain customers. The purpose of the monies received is to cover essential maintenance obligations of the lessee and the risk of an engine not being returned in redelivery conditions. Maintenance reserves are initially recognised as a payable to the customer and is generally returned to the customer when qualifying shop visit have been carried out on an engine. Depending on the contractual terms with a customer, 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, which is typically at the end of the lease. At this point the maintenance reserves are released to the income statement to offset any related adjustment to the carrying amount of the engine, with any remaining excess reserves recognised as other income in the income statement. In the event that the engine is disposed of at the end of the lease, any remaining maintenance reserve is recognised as part of the net profit on sale of property, plant and equipment in the income statement.

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 2019

Dividends

Final dividends to the Company's shareholders are recognised as a liability in the financial statements in the period in which the final dividends are approved by the shareholders. Interim dividends are recognised when paid to the Company's shareholders. These amounts are recognised in the statement of changes in equity.

Revenue recognition

Revenue comprises the fair value of the consideration due from customers for aircraft engines or aircraft engine parts sold, or in relation to engines provided on lease 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.

Leases (as lessor)

The Group leases engines to customers. At the start of each lease, the Group reviews all necessary terms and criteria to determine the appropriate lease classification. If a lease meets specific classification criteria, the lease will be treated as a finance lease. Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases.

For operating leases, rental income is recognised on a straight line basis over the term of the lease. The amount of the difference between rental revenue recognized and cash received is included in other assets, or in the event it is a liability, in accounts payable, accrued expenses and other liabilities.

Lease agreements where rent is based on floating interest rates are included in minimum lease payments based on the floating interest rate that existed at the commencement of the lease. Increases or decreases in lease payments that result from subsequent changes in the floating interest rate are considered contingent rentals and are recorded as increases or decreases in lease revenue in the period of the interest rate change.

Revenue will cease to be recognised on a lease contract when the collectability of rentals is no longer probable. Subsequently, revenues are recognised based on lessee cash collections until such time that collection is probable.

Most of the Group's operating lease contracts require rental payments in advance. Rental payments received but unearned are recorded as deferred income in our Consolidated Balance Sheets.

Revenue from net investment in finance leases is recognized using the interest method to produce a constant yield over the life of the lease and is included in lease revenue as finance lease interest.

Sales of inventories

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. Revenue 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.

Other items included in revenues (apart from sales of inventories/engines parts, covered below) consist of income related to other miscellaneous activities.

Net gain on sales of engines

The Group may sell engines that are on lease to customers as well as those that are not on lease. When disposing an engine, the Group will consider whether control of the engine has been transferred to the buyer, and whether the Group no longer have significant ownership risk in the engine, both of which are required for a sale and resulting gain or loss to be recognised as other operating income. Where the Group sells an engine to an associate entity, it will defer the profit or loss on disposal of that engine based on the Group's shareholding in that associate and unwind the profit or loss on a straight line basis over the life of that engine or in full where the engine is subsequently sold to a third party.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Leases (as lessee)

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.

Interest income and expense policy

Interest expense comprise interest payable and amortisation of financing costs. Interest income comprise interest receivable from the bank.

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 tax is provided in full on timing differences that arise from differences between taxable profits and total comprehensive income, resulting in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on tax rates and law that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised for future deductions and utilisations of tax carry-forwards to the extent that it is more likely than not that suitable taxable profit is expected to be available.

3 Recent accounting standards adopted during the year ended 31 December 2019

The Group adopted the accounting standards changes resulting from the Financial Reporting Council triennial review. The only material changes caused by this adoption were the inclusion of the net debt reconciliation in Note 23 and the inclusion of net profit on sale of property, plant and equipment in operating profit. The latter was also re-presented in the comparative figures in the Consolidated Income Statement.

4 Future application of accounting standards

Interest Benchmark Reform

Interest rate benchmarks such as the London Interbank Offered Rate (LIBOR) are being reformed, and it is anticipated that LIBOR will not be available after 2021. There is increasing uncertainty about the long-term viability of some interest rate benchmarks and this gives rise to issues affecting financial reporting in the period before the reform, particularly in relation to hedge accounting. These amendments to specific hedge accounting requirements in Section 12 provide relief that will avoid unnecessary discontinuation of hedge accounting, during the period of uncertainty. Entities will apply specific hedge accounting requirements assuming that the interest rate benchmark relevant to the hedge accounting is not altered as a result of interest rate benchmark reform. The amendments are effective for accounting periods beginning on or after 1 January 2020, with early application permitted. The Group is assessing the impact of this change.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

5 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 15 for the carrying amount of the property, plant and equipment, and note 2 for the useful economic lives for each class of assets.

During the year ended 31 December 2019, the Group reduced the useful economics life of two aircraft engine types from 25 years to 18-20 years. This has the corresponding impact of increasing the depreciation charge in the income statement by \$8,054,000.

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.

Maintenance reserve

Judgement is applied in assessing the allocation of current and non current maintenance reserve balances at the year end. The allocation is based on planned disposals and expected shop visits in the 12 months following the year end. See notes 20 and 21 for the maintenance reserve balances.

6 Revenue

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

| | 2019 \$ 000 | 2018 \$ 000 |
|-------------------------|----------------|----------------|
| Operating lease rentals | 369,332 | 309,093 |
| Finance lease interest | 12,682 | 8,325 |
| Spare parts sales | 28,637 | 21,911 |
| | <u>410,651</u> | <u>339,329</u> |

An analysis of revenue by destination is as follows:

| | 2019 \$000 | 2018 \$000 |
|--------------------------|----------------|----------------|
| United Kingdom | 204,842 | 177,573 |
| Rest of Europe | 63,522 | 52,858 |
| Americas | 31,037 | 15,894 |
| Asia, Oceania and Africa | 111,249 | 93,004 |
| | <u>410,651</u> | <u>339,329</u> |

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

7 Other operating income

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

| | 2019 | 2018 |
|------------------------|--------|--------|
| | \$ 000 | \$ 000 |
| Other operating income | 41,064 | 4,666 |

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

8 Operating profit

Arrived at after charging

| | 2019 | 2018 |
|----------------------|---------|---------|
| | \$ 000 | \$ 000 |
| Depreciation expense | 180,140 | 146,649 |
| Impairment loss | 5,381 | - |

During the year ended 31 December 2019, the Company recognised impairments of \$5.4 million against assets held for operating leases primarily as a result of engines returned that did not meet redelivery conditions from a customer that entered liquidation and for which maintenance reserves were not held. In addition, an adjustment to the carrying amount of property, plant and equipment of \$19.9 million (2018: \$3.5 million) has been recorded which has been offset by a release from the maintenance reserve resulting in a net nil impact in the income statement.

9 Staff number and costs

The aggregate payroll costs were as follows:

| | 2019 | 2018 |
|---------------------------------------|--------|--------|
| | \$ 000 | \$ 000 |
| Wages and salaries | 3,593 | 2,870 |
| Social security costs | 365 | 273 |
| Pension costs, defined benefit scheme | 262 | 203 |
| | 4,220 | 3,346 |

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

| | 2019 | 2018 |
|--------------------------------|------|------|
| | No. | No. |
| Full-time equivalent employees | 22 | 19 |

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.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

10 Directors' remuneration

The Group and Company paid no emoluments to the Directors in respect of their services during the year (2018: \$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 (2018: \$Nil).

11 Auditor's remuneration

| | 2019 | 2018 |
|--|------------|------------|
| | \$ 000 | \$ 000 |
| Audit of these financial statements | 71 | 61 |
| Amounts receivable by the Company's auditors and its associates in respect of: | | |
| Audit of financial statements of subsidiaries of the Company | 270 | 227 |
| Audit-related assurance services | 362 | - |
| | <u>703</u> | <u>288</u> |

12 Interest payable and similar expense

| | 2019 | 2018 |
|---------------------------------|----------------|---------------|
| | \$ 000 | \$ 000 |
| Interest on bank and borrowings | 27,046 | 31,323 |
| Interest on other loans | 86,764 | 45,748 |
| | <u>113,810</u> | <u>77,071</u> |

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

13 Taxation

Tax charged/(credited) in the income statement

| | 2019 \$ 000 | 2018 \$ 000 |
|---|----------------|----------------|
| Foreign tax | - | 1 |
| Deferred taxation | | |
| Arising from origination and reversal of timing differences | 27,647 | 17,084 |
| Arising from adjustments in respect of prior period | 406 | 1,314 |
| Total deferred taxation | <u>28,053</u> | <u>18,398</u> |
| Tax expense in the income statement | <u>28,053</u> | <u>18,399</u> |

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018: lower than the standard rate of corporation tax in the UK) of 19% (2018: 19%).

The differences are reconciled below:

| | 2019 \$ 000 | 2018 \$ 000 |
|--|----------------|----------------|
| Profit before taxation | <u>162,558</u> | <u>99,499</u> |
| Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%) | 30,886 | 18,905 |
| Expenses not deductible in determining taxable profit (tax loss) | 13 | 188 |
| Adjustments in respect of prior periods | 406 | 1,314 |
| Tax rate differential on temporary differences | <u>(3,252)</u> | <u>(2,008)</u> |
| Total tax charge | <u>28,053</u> | <u>18,399</u> |

The 2020 Budget announced that the UK corporation tax rate will no longer reduce to 17% from 1 April 2020 and will remain at 19%. The deferred tax liability has been calculated at 17% as this rate has been substantively enacted at the Balance Sheet date. Had the 19% been substantively enacted on or before 31 December 2019 it would have had the effect of increasing the deferred tax liability by \$24,245,000.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Tax relating to items recognised in other comprehensive income

| | 2019 \$ 000 | 2018 \$ 000 |
|--|----------------|----------------|
| Deferred tax on movement in cash flow hedges | <u>37</u> | <u>-</u> |

14 Dividends

| | 2019 \$ 000 | 2018 \$ 000 |
|---|----------------|----------------|
| Dividend of \$21,471 (2018: \$41,800) per 'A' ordinary and 'B' ordinary share | <u>36,500</u> | <u>62,700</u> |

15 Property, plant and equipment

Group

| | Furniture, fittings and equipment \$ 000 | Engine pre delivery payments \$ 000 | Assets held for use in operating leases \$ 000 | Total \$ 000 |
|--------------------------|---|--|---|------------------|
| Cost or valuation | | | | |
| At 1 January 2019 | - | 40,281 | 4,240,725 | 4,281,006 |
| Additions | 929 | - | 799,073 | 800,002 |
| Disposals | - | (5,581) | (122,209) | (127,790) |
| Transfers | - | (34,700) | 34,700 | - |
| At 31 December 2019 | <u>929</u> | <u>-</u> | <u>4,952,289</u> | <u>4,953,218</u> |
| Depreciation | | | | |
| At 1 January 2019 | - | - | 709,811 | 709,811 |
| Charge for the year | 35 | - | 180,105 | 180,140 |
| Eliminated on disposal | - | - | (62,715) | (62,715) |
| Impairment | - | - | 5,381 | 5,381 |
| Other | - | - | 19,866 | 19,866 |
| At 31 December 2019 | <u>35</u> | <u>-</u> | <u>852,448</u> | <u>852,483</u> |
| Carrying amount | | | | |
| At 31 December 2019 | <u>894</u> | <u>-</u> | <u>4,099,841</u> | <u>4,100,735</u> |
| At 31 December 2018 | <u>-</u> | <u>40,281</u> | <u>3,530,914</u> | <u>3,571,195</u> |

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

During the year, assets with a value of US\$82.4 million (2018: US\$44.2 million) 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\$39.4 million (2018: US\$43.0 million) were converted into finance leases agreements. The accumulated depreciation on these engines was US\$24.8 million (2018: US\$15.0 million). The carrying amount of these assets are shown under finance lease receivables (notes 14 and 17).

The disposals of engine pre-delivery payments of \$5.6 million (2018: US\$Nil) relates to payments refunded due to planned transactions being cancelled.

Other relates to an adjustment to carrying amount of \$19.8 million (2018: \$3.5 million) which has been offset by a release from the maintenance reserve resulting in a net nil impact in the income statement.

16 Other financial assets

| | 2019 \$ 000 | Group 2018 \$ 000 |
|------------------------------|----------------|-------------------------|
| Derivatives used for hedging | 4,365 | 4,392 |
| Finance lease receivables | 270,823 | 195,075 |
| Non-current receivables | 8,296 | 6,841 |
| | <u>283,484</u> | <u>206,308</u> |

17 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 2019 | 2018 |
|--------------------------------|-----------------------------|--------------------|--|------|
| 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 Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

| | | | | |
|---|----------|-----------------|------|------|
| Alpha Leasing (No.12) Limited* | England | Ordinary shares | 100% | 100% |
| Alpha Leasing (No. 14) 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% |
| Omega Leasing (No. 12) Limited | England | Ordinary shares | 100% | 100% |
| Omega Leasing (No. 14) 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% |
| RRPF Asset Management Services Limited | England | Ordinary shares | 100% | 0% |
| RRPF Aviation Leasing (Tianjin) Limited | China | Ordinary shares | 100% | 0% |

* indicates direct investment of the company

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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)
RRPF Asset Management Services Limited - Management of aero engine leasing
RRPF Aviation Leasing (Tianjin) Limited - Leasing of aero engines

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 address for RRPF Aviation Leasing (Tianjin) Limited is No. 45, Room 202, Office Area of Inspection Warehouse, No.6262 Aozhou Road, Dongjiang Free Trade Port Zone, Tianjin Pilot Free Trade Zone, the People's Republic of China

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

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Company

| | 2019 \$ 000 | 2018 \$ 000 |
|-----------------------------|----------------|----------------|
| Investments in subsidiaries | 229,900 | 223,320 |
| Investments in associates | <u>250</u> | <u>-</u> |
| | <u>230,150</u> | <u>223,320</u> |

Subsidiaries

\$ 000

Cost or valuation

| | |
|---------------------|----------------|
| At 1 January 2019 | 223,320 |
| Additions | <u>6,580</u> |
| At 31 December 2019 | <u>229,900</u> |

Carrying amount

| | |
|---------------------|----------------|
| At 31 December 2019 | <u>229,900</u> |
| At 31 December 2018 | <u>223,321</u> |

During the year the company purchased shares in RRP Asset Management Services Limited and Alpha Leasing (No. 14) Limited, which is the parent of Omega Leasing (No. 14) Limited.

Associates

\$ 000

Cost

| | |
|-----------|------------|
| Additions | <u>250</u> |
|-----------|------------|

Carrying amount

| | |
|---------------------|------------|
| At 31 December 2019 | <u>250</u> |
| At 31 December 2018 | <u>-</u> |

Hyphen Holdings Limited was incorporated, and became an associate of the Group, on 19 December 2019. In December 2019, the Group disposed of two engines to Hyphen Holdings Limited. Part of the profits on disposal of these engines, representing the Group's shareholding in that associate, were deferred and will be unwound over the life of the engines or when the engines are disposed to third parties. There were no other share of profit or loss of associates recognised during the year.

18 Inventories

| | 2019 \$ 000 | Group 2018 \$ 000 |
|-------------------------|----------------|-------------------------|
| Aero engine spare parts | <u>23,709</u> | <u>20,979</u> |

Inventories are stated after provisions for impairment of US\$5.3 million (2018: US\$4.6 million).

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

19 Receivables

| | 2019 \$ 000 | Group 2018 \$ 000 |
|---------------------------------|----------------|-------------------------|
| Trade receivables | 25,713 | 7,197 |
| Amounts owed by related parties | 12,011 | 1,903 |
| Group relief receivable | 1,735 | 1,736 |
| Other receivables | 3,521 | 1,565 |
| Prepayments | 30,466 | 27,321 |
| Finance lease receivables | 23,184 | 15,284 |
| | <u>96,630</u> | <u>55,006</u> |
| Due within one year | | |

20 Payables: Amounts falling due within one year

| | 2019 \$ 000 | Group 2018 \$ 000 | 2019 \$ 000 | Company 2018 \$ 000 |
|---------------------------------|----------------|-------------------------|----------------|---------------------------|
| Loans and borrowings | 198,275 | 55,295 | - | - |
| Trade payables | 4,687 | 2,013 | - | - |
| Loans from group undertakings | 1 | - | - | - |
| Amounts owed to related parties | 3,761 | 8,679 | 1 | - |
| Other payables | 4,487 | 5,547 | - | - |
| Accrued expenses | 48,744 | 35,058 | - | - |
| Group relief payable | - | - | - | 1 |
| Maintenance reserves | 32,883 | 34,446 | - | - |
| | <u>292,838</u> | <u>141,038</u> | <u>1</u> | <u>1</u> |

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

21 Payables: Amounts falling due after more than one year

| | | 2019 \$ 000 | Group 2018 \$ 000 |
|-------------------------------|---------|------------------|-------------------------|
| Loans and borrowings | Note 22 | 3,137,301 | 2,883,266 |
| Maintenance reserves | | 102,452 | 84,238 |
| Other non-current liabilities | | 20,110 | 20,282 |
| | | <u>3,259,863</u> | <u>2,987,786</u> |

Group

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

| | 2019 \$000 | 2018 \$000 |
|---|----------------|----------------|
| At the beginning of the year | 118,684 | 99,702 |
| Received during the year | 98,882 | 36,170 |
| Released during the year | (59,355) | (6,334) |
| Paid out during the year | (3,011) | (2,258) |
| Released to income to offset adjustments to PPE | (19,866) | (8,596) |
| At the end of the year | <u>135,334</u> | <u>118,684</u> |

22 Borrowings

| | 2019 \$ 000 | Group 2018 \$ 000 |
|---|----------------|-------------------------|
| Loans and borrowings due within one year | | |
| Bank borrowings | 12,474 | 12,353 |
| Other borrowings | 185,801 | 42,942 |
| | <u>198,275</u> | <u>55,295</u> |

| | 2019 \$ 000 | Group 2018 \$ 000 |
|--|------------------|-------------------------|
| Loans and borrowings due after more than one year | | |
| Bank borrowings | 739,074 | 1,254,214 |
| Other borrowings | 2,398,227 | 1,629,052 |
| | <u>3,137,301</u> | <u>2,883,266</u> |

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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

| | 2019 \$ 000 | 2018 \$ 000 |
|---|------------------|------------------|
| After more than five years by instalments | 110,948 | 100,295 |
| After more than five years not by instalments | <u>2,076,700</u> | <u>1,783,102</u> |
| | <u>2,187,648</u> | <u>1,883,397</u> |

All borrowings contain affirmative covenants customary for secured borrowings of this type. The Group has fulfilled all its covenant reporting and was not in breach of any of its borrowings covenants during the year ended 31 December 2019 and 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. Interest rate is payable at LIBOR + 0.50%.

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.

As at 31 December 2019, the Group utilised US\$124 million of this facility.

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 2019 the Group had not exercised this option.

Bank loans

The carrying amount of the Group's bank loans and facilities as at 31 December 2019 comprised of:

- US\$380 million of fixed interest loans maturing between April 2026 and October 2026
- US\$247 million of variable interest loan notes (3-month USD LIBOR + margins between 0.70% and 0.75%), payable by instalments and maturing between October 2021 and October 2022.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Other loans

Other loans relate to private placements and related party loans.

Loan notes issued by subsidiary companies totalled US\$2,750 million, of which US\$173 million was repaid as at 31 December 2019. The carrying amounts of the loan notes comprised of:

- US\$909 million of fixed interest loan notes with maturity dates between April 2022 and June 2033
- US\$486 million of fixed interest loan notes payable by instalments with maturity dates between October 2022 and July 2028
- US\$1,191 million of variable interest loan notes (6-month USD LIBOR + margins between 0.82% and 1.72%) with maturity dates between October 2020 and June 2033.

One series of private placement loan notes comprising US\$150 million of the variable interest loan notes will mature and be payable in October 2020. The Group expects to refinance this series later in 2020.

The above other borrowings are net of private placement loan fees of US\$10.0 million (2018: US\$8.3 million) and interest rate swap fees of US\$0.1 million (2018: US\$0.3 million).

Loans from related parties relate to a loan with a total principal amount outstanding of US\$8.5 million as at 31 December 2019.

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.

23 Analysis of changes in net debt

| | As at 1 January 2019 | Cash flows | Fair value movements | Non cash changes | As at 31 December 2019 |
|---------------------------|-------------------------|------------------|-------------------------|---------------------|---------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash | 131,399 | (98,213) | - | - | 33,186 |
| Bank and other borrowings | (2,937,794) | (376,630) | - | (17,474) | (3,331,898) |
| Interest rate swap | (768) | - | (2,911) | - | (3,679) |
| Net debt | <u>(2,807,163)</u> | <u>(474,843)</u> | <u>(2,911)</u> | <u>(17,474)</u> | <u>(3,302,391)</u> |

24 Provisions for liabilities

Group

Deferred tax assets and liabilities

| | Liability \$ 000 |
|-------------------------------|---------------------|
| 2019 | |
| Property, plant and equipment | 206,508 |
| Losses | (174) |
| Other temporary differences | (238) |
| | <u>206,096</u> |

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

| 2018 | Liability \$ 000 |
|-------------------------------|---------------------|
| Property, plant and equipment | 177,565 |
| Losses | (174) |
| Other temporary differences | 616 |
| | <u>178,007</u> |

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

25 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 2019 were US\$262,000 (2018: US\$203,000). The required disclosures related to the schemes are given in the group financial statements of Rolls-Royce Holdings plc.

26 Share capital

Allotted, called up and fully paid shares

| | No. | 2019 \$ | No. | 2018 \$ |
|---------------------------------|--------------|--------------|--------------|--------------|
| 'A' ordinary shares of \$1 each | 850 | 850 | 750 | 750 |
| 'B' ordinary shares of \$1 each | 850 | 850 | 750 | 750 |
| | <u>1,700</u> | <u>1,700</u> | <u>1,500</u> | <u>1,500</u> |

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

27 Leases

Group

Operating leases

The total of future minimum lease payments is as follows:

| | 2019 \$ 000 |
|---|----------------|
| Not later than one year | 152 |
| Later than one year and not later than five years | 2,196 |
| Later than five years | 5,064 |
| | <u>7,412</u> |

The amount of non-cancellable operating lease payments recognised as an expense during the year was \$Nil (2018 - \$Nil).

Finance leases - lessor

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

| | 2019 \$ 000 | 2018 \$ 000 |
|--|----------------|----------------|
| Minimum lease payments | 367,203 | 270,350 |
| Unguaranteed residual value | - | - |
| Gross investment | 367,203 | 270,350 |
| Unearned finance income | (73,196) | (59,992) |
| Net investment (present value of minimum lease payments) | <u>294,007</u> | <u>210,358</u> |

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

| | 2019 | | 2018 | |
|---|---------------------------|---|---------------------------|---|
| | \$ 000 | | \$ 000 | |
| | Gross investment in lease | Present value of minimum lease payments | Gross investment in lease | Present value of minimum lease payments |
| Maturity | | | | |
| Not later than one year | 37,171 | 23,034 | 26,170 | 15,283 |
| Later than one year and not later than five years | 160,980 | 118,805 | 124,655 | 91,424 |
| Later than five years | <u>169,052</u> | <u>152,168</u> | <u>119,525</u> | <u>103,651</u> |
| | 367,203 | 294,007 | 270,350 | 210,358 |

Contingent rents recognised as income in the period are \$Nil (2018: \$Nil).

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Operating leases - lessor

The total of future minimum lease payments is as follows:

| | 2019 \$ 000 | 2018 \$ 000 |
|---|------------------|------------------|
| Not later than one year | 362,331 | 356,306 |
| Later than one year and not later than five years | 1,230,769 | 1,217,179 |
| Later than five years | <u>827,665</u> | <u>957,476</u> |
| | <u>2,420,765</u> | <u>2,530,961</u> |

Total contingent rents recognised as income in the period are \$Nil (2018: \$Nil).

28 Commitments

Group

Capital commitments

The total amount contracted for but not provided in the financial statements was \$52,964,000 (2018: \$Nil). These relate to contracted purchase obligations and acquisition of aircraft and engines.

29 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 (2018: \$nil).

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 (2018: \$nil).

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

30 Financial instruments

Group

Categorisation of financial instruments

| | 2019 \$ 000 | 2018 \$ 000 |
|--|----------------|----------------|
| Financial assets measured at fair value through profit or loss | 4,365 | 4,392 |
| | <u>4,365</u> | <u>4,392</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 \$4,365,000 (2018: \$4,392,000) and the change in value included in the income statement is \$3,181,000 (2018: \$(3,824,000)).

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%. 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 2019 is \$3,949,000 (2018: \$767,000). The amount of the change in fair value of the hedging instrument recognised in the income statement for the period is \$3,181,000 (2018: \$(3,824,000)). The amount of the change in fair value of the hedged item recognised in the income statement for the period is \$(3,181,000) (2018: \$3,824,000).

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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 2019 is \$416,000 (2018: \$3,624,000). The amount of the change in fair value of the hedging instrument that was recognised in other comprehensive income during the period is \$1,900,000 (2018: \$(1,852,000)). The amount reclassified from equity to the income statement for the period is \$1,500,000 (2018: \$923,000). 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 (2018: \$Nil).

31 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 and the Group's associates. 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

| 2019 | \$ 000 |
|---|----------------|
| Rental income and sale of fixed assets* | 231,283 |
| Management fee income | 371 |
| Sales of goods made by related parties on behalf of the Group | <u>2,312</u> |
| Total income | <u>233,966</u> |
| Amounts receivable from related party | <u>12,011</u> |
| 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>163,859</u> |
| Amounts receivable from related party | <u>3,639</u> |

*includes proceeds from sale of plant, property and equipment to the Group's associate of \$42.7 million

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Expenditure with related parties

| | |
|---|----------------|
| 2019 | \$ 000 |
| Purchase of fixed assets | 633,806 |
| Recharged expenditure made on behalf of the Group | 4,789 |
| Management fee expense | <u>115</u> |
| Total purchases | <u>638,710</u> |
| Amounts payable to related party | <u>12,332</u> |
| 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> |

32 Non adjusting events after the financial period

Subsequent to the year end there has been a rapid increase in the number of COVID-19 cases. The Coronavirus COVID-19 pandemic outbreak has had a profound impact on the general economy so far. This looks very likely to continue into the following months. This and the steps taken by many countries to restrict movement and travel in order to mitigate and delay the spread of the pandemic will negatively affect the aviation industry. The severity of this impact on the airline industry and the Group's customers depends on many factors such as how long the pandemic continues for, to what extent Governments can or will provide financial and other assistance to the airline and aviation sector, and how quickly the global economy recovers after the pandemic comes under control.

Given the evolving nature of the situation it is not possible to quantify the impact that COVID-19 could have on the Group's financial performance and position. Subsequent to the year end, the Group has run several scenarios to ascertain the potential impact on the asset and liability position of the Group. In running these scenarios, no material impact to the 31 December 2019 balance sheet position was identified – refer to more specific detail provided in Note 2. In response to the uncertain environment, the Group is taking a number of actions to protect profitability and conserve cash.

The United Kingdom has left the EU on 31 January 2020 and is currently in a transitional period which expires on 31 December 2020. It is not anticipated that this will have a material impact on the Group's financial results.

33 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 1 Brewer's Green, London SW1H 0RH and those of GATX Corporation from 233 South Wacker Drive, Chicago IL 60606-7147, Illinois, USA.