

Registration number: 04133746

Alpha Partners Leasing Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2020



Alpha Partners Leasing Limited

Contents

Company Information	1
Strategic Report	2
Directors' Report	3 to 7
Statement of Directors' Responsibilities in respect of the Financial Statements	8
Independent Auditors' Report to the members of Alpha Partners Leasing Limited	9 to 12
Consolidated Income Statement	13
Consolidated Statement of Comprehensive Income	14
Consolidated Balance Sheet	15
Company Balance Sheet	16
Consolidated Statement of Changes in Equity	17
Company Statement of Changes in Equity	18
Consolidated Statement of Cash Flows	19
Notes to the Financial Statements	20 to 50

Alpha Partners Leasing Limited

Company Information

Directors	T A Ellman
	M Dix
	R C Lyons
	K Hillesland
	P Keywood
	P S Inman
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 2020

The Directors present their strategic report for the year ended 31 December 2020. The comparative results for the prior period refer to the year ended 31 December 2019.

Principal activity

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

Fair review of the business

The Group opened the year with an engine operating lease portfolio of 303 engines (2019: 274 engines), and closed with 306 engines (2019: 303 engines). During the year the Group acquired 18 engines (2019: 42 engines) and disposed 14 engines and transferred 1 engine to finance lease (2019: disposed 10 engines and transferred 3 engines to finance lease). The Group also had an engine finance lease portfolio of 29 engines (2019: 28 engines).

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

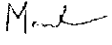
The Group's key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Number of engines in operating lease portfolio		306	303
Number of engines in finance lease portfolio		29	28
Net Book Value of assets held for use in operating leases at year end	\$000	4,090,533	4,099,841
Revenue	\$000	419,288	410,651
Profit on disposal of fixed assets	\$000	26,633	38,861
Profit before taxation	\$000	100,633	162,558

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 25 March 2021 and signed on its behalf by:

DocuSigned by:

843C4CC910E048F..

M Dix
Director

Alpha Partners Leasing Limited

Directors' Report for the Year Ended 31 December 2020

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2020.

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 (resigned 19 March 2021)

M Brooks (resigned 31 January 2020)

M A Garrett (resigned 11 September 2020)

T A Ellman

M Dix

R C Lyons

E Harkness (appointed 26 March 2020 and resigned 11 September 2020)

K Hillesland (appointed 11 September 2020)

P Keywood (appointed 11 September 2020)

The following director was appointed after the year end:

P S Inman (appointed 25 March 2021)

Dividends

The Directors declared interim dividends for the year totalling \$Nil per 'A' and 'B' ordinary share (2019: \$21,471 per 'A' and 'B' ordinary share). They do not recommend payment of any further dividend. The total cost of dividends for the year is \$Nil (2019: \$36,500,000).

Alpha Partners Leasing Limited

Directors' Report for the Year Ended 31 December 2020

Environmental matters

Greenhouse Gas ("GHG") Emissions

The Company's GHG emissions arise from energy use in its office building and GHG emissions from employees' business travel.

For energy use, the data was collected for the Company's UK office building, covering UK full time employees ("FTEs"). UK FTEs comprise 91% of all FTEs. While the Directors deem energy use in non-UK locations not to be significant, for the purposes of this report, energy use was scaled up from 91% to 100%.

GHG emissions for energy use was estimated based on the UK Government's Department for Business, Energy & Industrial Strategy ("BEIS") published GHG Conversion Factors for Company Reporting 2020.

GHG emissions for business travel cover all FTEs and in 2020 related to air travel, car hire and hotel stays. GHG emissions for air travel was estimated based on passenger miles travelled, cabin class and BEIS's GHG conversion factors. The estimate for GHG emissions for car hire was based on 0.36kg per mile driven while that for hotel stays was based on 19.45kg per night stay.

No comparatives are provided as this is the first year the Company is required to disclose GHG Emissions under Streamlined Energy and Carbon Reporting.

The Company strives to be carbon neutral and, as business travel accounts for a significant proportion of its GHG emissions, we are proud to commence carbon offsetting in 2020 which saw 2019 GHG emissions from business travel, 657 tonnes of CO2 equivalent ("tCO2e") validated and offset through various carbon offsetting projects.

GHG emissions	2020
	tCO2e
From energy	10.2
From travel	411.4
Total	421.6
<hr/>	
GHG emissions per full time employee	2020
	tCO2e per FTE
From energy	0.3
From travel	13.7
Total	14.0
<hr/>	
Energy consumption	2020
	kWh
UK	44,578
Other	4,408
Total	48,986
<hr/>	

Alpha Partners Leasing Limited

Directors' Report for the Year Ended 31 December 2020

Future developments

In the near term, the Company's financial performance and position will still be affected by the COVID-19 pandemic. While the Company's going concern should not be at risk (discussed further in the going concern section below and note 2), the impact of the pandemic on the Company's financial performance will depend on how quickly the global economy and the airline industry can recover.

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 including severe but plausible downside scenario 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 2020

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. Once approved by the Directors, the plan and strategy form the basis for financial budgets, resource plans and investment decisions.

The Directors have a high level of visibility of the relatively small team and their interests and the Company 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.


Alpha Partners Leasing Limited

Directors' Report for the Year Ended 31 December 2020

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 25 March 2021 and signed on its behalf by:

DocuSigned by:

843C4CC916E048F
M Dix
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 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 income statements of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and 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 auditors' 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 2020 and of the Group's profit, the Company's loss and the Group's 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, which comprise: the Consolidated and Company Balance Sheets as at 31 December 2020; 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Alpha Partners Leasing Limited

Independent auditors' report to the members of Alpha Partners Leasing Limited

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 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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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, 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.

Alpha Partners Leasing Limited

Independent auditors' report to the members of Alpha Partners Leasing Limited

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to fraud, corruption, bribery, and data protection, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the current environment giving rise to additional pressures where there is a going concern risk, including the need to meet covenants and sustain revenues as well as greater opportunity for fraud due to remote working. Audit procedures performed included:

- obtained management's forecast used in their going concern assessment and tested the mathematical accuracy of the forecasts and the calculations in relation to financial liquidity and covenant compliance;
- evaluated management's critical estimates and judgements applied in their going concern assessment and considered the appropriateness of the disclosures made in respect of the going concern basis of preparation;
- discussions with management and the in-house legal team around any actual and potential litigation and claims, including consideration of known or suspected instances of non-compliance with laws and regulation including fraud;
- assessed the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur;
- identified and tested journal entries, in particular any journal entries posted with unusual combinations or those posted by unexpected users
- assessed the increased risk of fraud due to change in management's operating environment as a result of COVID-19, including remote working.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 auditors' 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

25 March 2021

Alpha Partners Leasing Limited

Consolidated Income Statement for the Year Ended 31 December 2020

	Note	2020 \$ 000	2019 \$ 000
Revenue	6	419,288	410,651
Cost of sales		<u>(256,195)</u>	<u>(209,480)</u>
Gross profit		163,093	201,171
Administrative expenses		(8,288)	(9,214)
Other operating income	7	25,052	41,064
Profit on sale of property, plant and equipment		<u>26,633</u>	<u>38,861</u>
Operating profit		<u>206,490</u>	<u>271,882</u>
Interest receivable and similar income		521	4,486
Interest payable and similar expenses	12	(106,129)	(113,810)
Share of loss of equity accounted investees		<u>(250)</u>	<u>-</u>
Profit before taxation		100,632	162,558
Taxation	13	<u>(46,275)</u>	<u>(28,053)</u>
Profit for the financial year		<u>54,357</u>	<u>134,505</u>

The above results were derived from continuing operations.

The notes on pages 20 to 50 form an integral part of these financial statements.

Alpha Partners Leasing Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2020

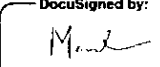
	2020	2019
	\$ 000	\$ 000
Profit for the year	<u>54,357</u>	<u>134,505</u>
Unrealised gain/(loss) on cash flow hedges before tax	(1,317)	(3,407)
Income tax effect	<u>246</u>	<u>(37)</u>
	<u>(1,071)</u>	<u>(3,444)</u>
Total comprehensive income for the year	<u><u>53,286</u></u>	<u><u>131,061</u></u>

The notes on pages 20 to 50 form an integral part of these financial statements.

Alpha Partners Leasing Limited
(Registration number: 04133746)
Consolidated Balance Sheet as at 31 December 2020

	Note	2020 \$ 000	2019 \$ 000
Non-current assets			
Intangible assets	15	2,733	-
Property, plant and equipment	16	4,091,399	4,100,735
Investments	18	-	250
Other financial assets	17	270,938	283,484
		<u>4,365,070</u>	<u>4,384,469</u>
Current assets			
Inventories	19	28,553	23,709
Receivables	20	106,715	96,630
Cash at bank		87,696	33,186
		<u>222,964</u>	<u>153,525</u>
Payables: Amounts falling due within one year	21	(272,743)	(292,838)
Net current liabilities		<u>(49,779)</u>	<u>(139,313)</u>
Total assets less current liabilities		4,315,291	4,245,156
Payables: Amounts falling due after more than one year	22	(3,230,678)	(3,259,863)
Provisions for liabilities	25	(252,130)	(206,096)
Net assets		<u>832,483</u>	<u>779,197</u>
Equity			
Called up share capital	27	1	1
Share premium		229,899	229,899
Capital reserve		42,708	42,708
Cash flow hedging reserve		(879)	192
Retained earnings		560,754	506,397
Total shareholders' funds		<u>832,483</u>	<u>779,197</u>

Approved and authorised by the Board on 25 March 2021 and signed on its behalf by:

DocuSigned by:

643C4CC916E04BF

M Dix
Director

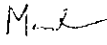
The notes on pages 20 to 50 form an integral part of these financial statements.
Page 15

Alpha Partners Leasing Limited
(Registration number: 04133746)
Company Balance Sheet as at 31 December 2020

	Note	2020 \$ 000	2019 \$ 000
Non-current assets			
Investments	18	230,150	230,150
Current assets			
Cash at bank		16	16
Payables: Amounts falling due within one year	21	(1)	(1)
Net current assets		15	15
Net assets		230,165	230,165
Equity			
Called up share capital		1	1
Share premium		229,899	229,899
Retained earnings		265	265
Total shareholders' funds		230,165	230,165

The Company made a profit after tax for the financial year of S9 (2019: profit of S36,750,125).

Approved and authorised by the Board on 25 March 2021 and signed on its behalf by:

DocuSigned by:

843C4CC916E04BF:

M Dix
Director

Alpha Partners Leasing Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2020
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 2020	1	229,899	42,708	192	506,397	779,197
Profit for the year	-	-	-	-	54,357	54,357
Other comprehensive expense	-	-	-	(1,071)	-	(1,071)
Total comprehensive income/(expense)	-	-	-	(1,071)	54,357	53,286
At 31 December 2020	1	229,899	42,708	(879)	560,754	832,483
				Cash flow		
	Share capital \$ 000	Share premium \$ 000	Capital reserve \$ 000	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 expense	-	-	-	(3,444)	-	(3,444)
Total comprehensive income/(expense)	-	-	-	(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

The notes on pages 20 to 50 form an integral part of these financial statements.

Alpha Partners Leasing Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2020	1	229,899	265	230,165
Total comprehensive income	-	-	-	-
At 31 December 2020	1	229,899	265	230,165
	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

The notes on pages 20 to 50 form an integral part of these financial statements.

Alpha Partners Leasing Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2020

	2020 \$ 000	2019 \$ 000
Cash flows from operating activities		
Profit for the year	54,357	134,505
Adjustments to cash flows from non-cash items		
Depreciation and amortisation	210,850	180,140
Impairment	103	5,381
Profit on disposal of property, plant & equipment	(26,633)	(38,861)
Interest receivable and similar income	(521)	(4,486)
Interest payable and similar expense	106,129	113,810
Share of (loss)/profit of equity accounted investees	250	-
Income tax expense	46,275	28,090
	<u>390,810</u>	<u>418,579</u>
Working capital adjustments		
(Increase)/decrease in inventories	(3,044)	13,026
Decrease/(increase) in trade and other receivables	10,020	(13,253)
Increase in trade and other payables	76,536	43,620
	<u>474,322</u>	<u>461,972</u>
Net cash inflow from operating activities		
Cash flows from investing activities		
Interest received	521	4,486
Acquisitions of property, plant & equipment	(313,420)	(800,227)
Proceeds from sale of property, plant & equipment	134,124	53,232
Acquisition of intangible assets	(1,501)	-
Investment in new finance lease assets	(45,037)	(82,406)
Acquisition of investments in associates	-	(250)
	<u>(225,313)</u>	<u>(825,165)</u>
Net cash outflow from investing activities		
Cash flows from financing activities		
Interest paid	(109,927)	(101,500)
Proceeds from issue of ordinary shares, net of issue costs	-	6,580
Repayment of bank and other borrowings	(585,713)	(846,060)
Proceeds from bank and other borrowing draw downs (net of issue costs)	501,141	1,242,460
Dividends paid	-	(36,500)
	<u>(194,499)</u>	<u>264,980</u>
Net cash (outflow)/inflow from financing activities		
Net increase/(decrease) in cash and cash equivalents	<u>54,510</u>	<u>(98,213)</u>
Cash and cash equivalents at 1 January	<u>33,186</u>	<u>131,399</u>
Cash and cash equivalents at 31 December	<u><u>87,696</u></u>	<u><u>33,186</u></u>

The notes on pages 20 to 50 form an integral part of these financial statements.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

The Company is a private company limited by shares incorporated and domiciled 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' ("FRS102") 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 and assumptions. 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 2020

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2020.

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.

Use of estimates

The preparation of financial statements in conformity with 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.

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 current and 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 cash flow scenarios have been modelled. The most severe cash flow scenario being the effects of 100% deferral of lease payments for 12 months, i.e. no cash collection in the 12 months from the date of approving the financial statements with a gradual return to pre-COVID cash collection levels. This scenario has been modelled alongside the Group's ability to control costs and restrict capital expenditure which is discretionary. Based on this assessment, the Directors are satisfied that the impact of COVID-19 can be managed within the Group's current liquidity position and covenant arrangements. In each of the most severe scenarios the Group continues to benefit from significant headroom. The Directors have reasonable expectations that the Group is 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 Financial Statements) and have not identified any material uncertainties to the Company's and the Group's ability to do so.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

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

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

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 2020

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 2020

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.

Intangible assets

Intangible assets are recognised at acquisition cost and amortised on a straight-line basis.

The cost of internally developed software includes direct labour and an appropriate proportion of overheads.

Amortisation

Intangible assets are amortised on a straight line basis from the time they were first brought into use so as to write off the cost, less any estimated residual value, over the lesser of:

- i) a period of 10 years; and
- ii) the anticipated useful life of the asset.

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 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's build date; and
- ii) the anticipated remaining useful economic life of the engine type or 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's build date, 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.

Furniture, fittings and equipment

Furniture, fittings and equipment 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) a period of 15 years
- ii) the anticipated useful life of the asset.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

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.

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 the income statement. 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 the income statement. 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.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

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.

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.

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 2020

Revenue recognition

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

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 inventory/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 has 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 2020

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 the income statement on a straight-line basis over the period of the lease.

Interest income and expense

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.

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.

3 Recent accounting standards adopted during the year ended 31 December 2020

Interest Benchmark Reform

Interest rate benchmarks such as the London Interbank Offered Rate (LIBOR) are being reformed, and it is anticipated that USD 3-month and 6-month LIBOR will phased out on 30 June 2023. 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. FRC issued 'Amendments to FRS102 - Interest rate benchmark reform', referred to as Phase 1 amendments to FRS102, in December 2019, which has a mandatory effective date of 1 January 2020.

The amendments to specific hedge accounting requirements in Section 12 provide relief that will avoid unnecessary discontinuation of hedge accounting during the period of uncertainty. The Company therefore applies 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.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

4 Future application of accounting standards

Interest Benchmark Reform

FRC issued 'Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland - Interest rate benchmark reform (Phase 2) (2020)' in December 2020, which has a mandatory effective date of 1 January 2021.

Amendments to Section 11 Basic Financial Instruments provide a practical expedient for the accounting for financial assets and financial liabilities when contractual cash flows change because interest rate benchmarks are being replaced. A consequential amendment has been made to Section 20 Leases resulting from the changes made to Section 11. Amendments to Section 12 Other Financial Instruments give more flexibility regarding the redocumentation of hedging relationships and provide other reliefs that avoid disruption to hedge accounting.

The Company is assessing the impact of these changes.

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 16 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 estimates 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 21 and 22 for the maintenance reserve balances.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

6 Revenue

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

	2020	2019
	\$ 000	\$ 000
Operating lease rentals	398,564	369,332
Finance lease interest	13,239	12,682
Spare parts sales	7,485	28,637
	<u>419,288</u>	<u>410,651</u>

An analysis of revenue by destination is as follows:

	2020	2019
	\$000	\$000
United Kingdom	217,497	204,842
Rest of Europe	53,812	63,522
Americas	26,022	31,037
Asia, Oceania and Africa	121,957	111,249
	<u>419,288</u>	<u>410,651</u>

7 Other operating income

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

	2020	2019
	\$ 000	\$ 000
Other operating income	<u>25,052</u>	<u>41,064</u>

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

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

8 Operating profit

Arrived at after charging

	2020	2019
	\$ 000	\$ 000
Depreciation expense	210,812	180,140
Amortisation expense	38	-
Impairment loss	103	5,381
Operating lease expense - property	<u>516</u>	<u>400</u>

During the year ended 31 December 2020, the Company recognised impairments of \$103,000 (2019: \$5,381,000) against assets held for operating leases. In addition, an adjustment to the carrying amount of property, plant and equipment of \$30,467,000 (2019: \$19,866,000) 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:

	2020	2019
	\$ 000	\$ 000
Wages and salaries	2,622	3,593
Social security costs	368	365
Pension costs, defined benefit scheme	<u>312</u>	<u>262</u>
	<u>3,302</u>	<u>4,220</u>

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

	2020	2019
	No.	No.
Full-time equivalent employees	<u>30</u>	<u>22</u>

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

10 Directors' remuneration

The Group and Company paid no emoluments to the Directors in respect of their services during the year (2019: \$Nil). The Directors were remunerated by related parties.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

11 Auditor's remuneration

	2020	2019
	\$ 000	\$ 000
Audit of these financial statements	77	71
Amounts receivable by the Company's auditors and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	335	270
Audit-related assurance services	245	362
	<u>657</u>	<u>703</u>

12 Interest payable and similar expense

	2020	2019
	\$ 000	\$ 000
Interest on bank and borrowings	22,127	27,046
Interest on other loans	84,002	86,764
	<u>106,129</u>	<u>113,810</u>

13 Taxation

Tax charged/(credited) in the income statement

	2020	2019
	\$ 000	\$ 000
Current taxation		
	<u>-</u>	<u>-</u>
Total current income tax	<u>-</u>	<u>-</u>
Deferred taxation		
Arising from origination and reversal of timing differences	21,364	27,647
Arising from adjustments in respect of increase in tax rate	24,243	-
Arising from adjustments in respect of prior period	668	406
Total deferred taxation	<u>46,275</u>	<u>28,053</u>
Tax expense in the income statement	<u>46,275</u>	<u>28,053</u>

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019: lower than the standard rate of corporation tax in the UK) of 19% (2019:19%).

The differences are reconciled below:

	2020	2019
	\$ 000	\$ 000
Profit before taxation	<u>100,632</u>	<u>162,558</u>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	19,120	30,886
Expenses not deductible in determining taxable profit (tax loss)	2,221	13
Adjustments in respect of increase in tax rate	24,243	-
Movement in unrecognised deferred tax	23	-
Adjustments in respect of prior periods	668	406
Tax rate differential on temporary differences	<u>-</u>	<u>(3,252)</u>
Total tax charge	<u>46,275</u>	<u>28,053</u>

The Spring Budget 2020 announced that the UK corporation tax rate would remain at 19% rather than reducing to 17% from 1 April 2020. The new law was substantively enacted on 17 March 2020. The prior year UK deferred tax assets and liabilities were calculated at 17%, as this was the enacted rate at the 2019 balance sheet date. As the 19% rate has been substantively enacted before 31 December 2020, the UK deferred tax assets and liabilities have been re-measured at 19%.

The resulting charge has been recognised in the income statement except to the extent that they relate to items previously credited or charged to equity. Accordingly, in 2020, \$24,243,000 has been charged to the income statement and \$4,000 has been charged to equity.

The Spring 2021 Budget further announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The deferred tax liability has been calculated at 19% as this rate has been substantively enacted at the Balance Sheet date. Had the 25% been substantively enacted on or before 31 December 2020 it would have had the effect of increasing the deferred tax liability by \$79,618,000.

Tax relating to items recognised in other comprehensive income

	2020	2019
	\$ 000	\$ 000
Deferred tax on movement in cash flow hedges	<u>(246)</u>	<u>37</u>

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

14 Dividends

	2020 \$ 000	2019 \$ 000
Interim dividend of \$Nil (2019 - \$21,471) per ordinary share	-	36,500

15 Intangible assets

Group

	Internally generated software development costs \$ 000	Total \$ 000
Cost or valuation		
Additions internally developed	<u>2,771</u>	<u>2,771</u>
At 31 December 2020	<u>2,771</u>	<u>2,771</u>
Amortisation		
Charge for the year	<u>38</u>	<u>38</u>
At 31 December 2020	<u>38</u>	<u>38</u>
Carrying amount		
At 31 December 2020	<u><u>2,733</u></u>	<u><u>2,733</u></u>

The aggregate amount of research and development expenditure recognised as an expense during the period is \$Nil (2019: \$Nil).

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

16 Property, plant and equipment

Group

	Furniture, fittings and equipment \$ 000	Assets held for use in operating leases \$ 000	Total \$ 000
Cost or valuation			
At 1 January 2020	929	4,952,289	4,953,218
Additions	38	323,036	323,074
Disposals	-	(143,406)	(143,406)
At 31 December 2020	<u>967</u>	<u>5,131,919</u>	<u>5,132,886</u>
Depreciation			
At 1 January 2020	35	852,448	852,483
Charge for the year	66	210,746	210,812
Eliminated on disposal	-	(52,378)	(52,378)
Impairment	-	103	103
Other	-	30,467	30,467
At 31 December 2020	<u>101</u>	<u>1,041,386</u>	<u>1,041,487</u>
Carrying amount			
At 31 December 2020	<u>866</u>	<u>4,090,533</u>	<u>4,091,399</u>
At 31 December 2019	<u>894</u>	<u>4,099,841</u>	<u>4,100,735</u>

During the year, assets with a value of \$45,037,000 (2019: \$82,400,000) were acquired for the purpose of letting under finance leases and shown under finance lease receivables (notes 17 and 20).

During the year, the operating lease agreements of assets with cost of \$14,000,000 (2019: \$39,400,000) were converted into finance leases agreements. The accumulated depreciation on these engines was \$7,962,000 (2019: \$24,800,000). The carrying amount of these assets are shown under finance lease receivables (notes 17 and 20).

Other relates to an adjustment to carrying amount of \$30,467,000 (2019: \$19,866,000) which has been offset by a release from the maintenance reserve resulting in a net nil impact in the income statement.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

17 Other financial assets

	2020	Group
	\$ 000	2019
	\$ 000	\$ 000
Derivatives used for hedging	7,722	4,365
Finance lease receivables	257,282	270,823
Other non-current receivables	5,934	8,296
	<u>270,938</u>	<u>283,484</u>

18 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	
			2020	2019
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%	100%
Omega Leasing Limited	England	Ordinary shares	100%	100%
Omega Leasing (No.4) Limited	England	Ordinary shares	100%	100%

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

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%	100%
RRPF Aviation Leasing (Tianjin) Limited	China	Ordinary shares	100%	100%

* indicates direct investment of the company

During the year, the Company acquired 100% shareholding in RRPF Engine Leasing (No.2) Limited, and thus making it a direct investment, from its group undertaking, Rolls-Royce & Partners Finance Limited.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

— —

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 - Leasing of aero engines
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 - Leasing of aero engines (2019: Dormant)
RRPF Asset Management Services Limited* - Aero engine lease management services
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 2020

Associate Undertakings

Details of the investments treated as associates undertaking of the Group are as follows:

	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2020	2019
Associates				
Hyphen Holdings Limited*	England	Ordinary shares	10%	10%

* indicates direct investment of the company

Principal activity

The principal activity of Hyphen Holdings Limited is leasing of aero engines .

Aggregate financial information of associates

	2020	2019
	\$ 000	\$ 000
Group's share of profit or loss in associates	<u>(250)</u>	<u>-</u>

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Company

	2020 \$ 000	2019 \$ 000
Investments in subsidiaries	229,900	229,900
Investments in associates	<u>250</u>	<u>250</u>
	<u>230,150</u>	<u>230,150</u>

Subsidiaries

\$ 000

Cost or valuation

At 1 January 2020	<u>229,900</u>
-------------------	----------------

Carrying amount

At 31 December 2020	<u>229,900</u>
At 31 December 2019	<u>229,900</u>

During the year the company purchased shares in RRP Engine Leasing (No.2) Limited.

Associates

\$ 000

Cost

At 1 January 2020	<u>250</u>
-------------------	------------

Carrying amount

At 31 December 2020	<u>250</u>
At 31 December 2019	<u>250</u>

19 Inventories

	2020 \$ 000	Group 2019 \$ 000
Aero engine spare parts	<u>28,553</u>	<u>23,709</u>

Inventories are stated after provisions for impairment of \$5,926,000 (2019: \$5,293,000).

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

20 Receivables

	2020	Group
	\$ 000	2019
		\$ 000
Trade receivables	37,053	25,713
Amounts owed by related parties	30,924	12,011
Group relief receivable	1,735	1,735
Other receivables	4,455	3,521
Prepayments and accrued income	7,534	30,466
Finance lease receivables	25,014	23,184
	<u>106,715</u>	<u>96,630</u>
Due within one year	<u>106,715</u>	<u>96,630</u>

Trade receivables are stated after provisions for impairment of \$33,429,000 (2019: \$2,379,000).

21 Payables: Amounts falling due within one year

		2020	Group	2020	Company
	Note	\$ 000	\$ 000	\$ 000	2019
					\$ 000
Loans and borrowings	23	171,889	198,275	-	-
Trade payables		4,738	4,687	-	-
Loans from group undertakings		-	1	-	-
Amounts owed to related parties		6,944	3,761	1	1
Other payables		6,130	4,487	-	-
Accrued expenses		51,554	48,744	-	-
Maintenance reserves		31,488	32,883	-	-
		<u>272,743</u>	<u>292,838</u>	<u>1</u>	<u>1</u>

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

22 Payables: Amounts falling due after more than one year

		2020	Group
	Note	\$ 000	2019
			\$ 000
Loans and borrowings	23	3,084,369	3,137,301
Maintenance reserves		125,313	102,452
Other non-current liabilities		19,503	20,110
Derivatives used for hedging		1,493	-
		<u>3,230,678</u>	<u>3,259,863</u>

Group

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

	2020	2019
	\$000	\$000
At the beginning of the year	135,334	118,684
Provided during the year	76,986	98,882
Released during the year	(25,052)	(59,355)
Paid out during the year	-	(3,011)
Released to income to offset adjustments to PPE	(30,467)	(19,866)
At the end of the year	<u>156,801</u>	<u>135,334</u>

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

23 Loans and borrowings

	2020 \$ 000	Group 2019 \$ 000
Loans and borrowings due within one year		
Bank borrowings	123,945	12,474
Other borrowings	<u>47,944</u>	<u>185,801</u>
	<u>171,889</u>	<u>198,275</u>

	2020 \$ 000	Group 2019 \$ 000
Loans and borrowings due after more than one year		
Bank borrowings	724,140	739,074
Other borrowings	<u>2,360,229</u>	<u>2,398,227</u>
	<u>3,084,369</u>	<u>3,137,301</u>

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

	2020 \$ 000	2019 \$ 000
After more than five years by instalments	68,602	110,948
After more than five years not by instalments	<u>1,761,457</u>	<u>2,076,700</u>
	<u>1,830,059</u>	<u>2,187,648</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 2020 and 2019.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

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\$450,000,000. 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 2020, the Group and its affiliates exercised the final option to extend the termination date to 11 May 2025.

As at 31 December 2020, the Group utilised US\$233,000,000 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\$150,000,000. As of 31 December 2020 the Group had not exercised this option.

Bank loans

The carrying amount of the Group's bank loans and facilities as at 31 December 2020 comprised of:

- US\$380,000,000 of fixed interest loans maturing between April 2026 and October 2026
- US\$238,000,000 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.

Other borrowings

Other borrowings relate to private placements and related party loans.

Loan notes issued by subsidiary companies totalled US\$2,750,000,000 of which US\$366,000,000 was repaid as at 31 December 2020. The carrying amounts of the loan notes comprised of:

- US\$1,056,000,000 of fixed interest loan notes with maturity dates between April 2022 and June 2033
- US\$287,000,000 of fixed interest loan notes payable by instalments with maturity dates between October 2026 and July 2028
- US\$1,041,000,000 of variable interest loan notes (6-month USD LIBOR + margins between 0.82% and 1.72%) with maturity dates between October 2023 and June 2033.

The above other borrowings are net of private placement loan fees of \$8,536,000 (2019: \$10,028,000) and interest rate swap fees of \$140,000 (2019: \$140,000).

Loans from related parties relate to a loan with a total principal amount outstanding of \$6,950,000 as at 31 December 2020.

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 2020

24 Analysis of changes in net debt

	As at 1 January 2020	Cash flows	Fair value movements	Non cash changes	As at 31 December 2020
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	33,186	54,510	-	-	87,696
Bank and other borrowings	(3,331,898)	106,816	-	(24,374)	(3,249,456)
Interest rate swap	(3,679)	-	(3,124)	-	(6,803)
Net debt	<u>(3,302,391)</u>	<u>161,326</u>	<u>(3,124)</u>	<u>(24,374)</u>	<u>(3,168,563)</u>

25 Provisions for liabilities

Group

Deferred tax assets and liabilities

2020	Liability \$ 000
Property, plant and equipment	253,454
Losses	(195)
Other temporary differences	<u>(1,134)</u>
	<u>252,125</u>
2019	Liability \$ 000
Property, plant and equipment	206,508
Losses	(174)
Other temporary differences	<u>(238)</u>
	<u>206,096</u>

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

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

26 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 2020 were \$313,000 (2019: \$262,000). The required disclosures related to the schemes are given in the group financial statements of Rolls-Royce Holdings plc.

27 Share capital

Allotted, called up and fully paid shares

	No.	2020 \$	No.	2019 \$
'A' ordinary shares of \$1 each	850	850	850	850
'B' ordinary shares of \$1 each	850	850	850	850
	<u>1,700</u>	<u>1,700</u>	<u>1,700</u>	<u>1,700</u>

28 Commitments

Group

Capital commitments

The total amount contracted for but not provided in the financial statements was \$Nil (2019: \$52,964,000). Prior period commitments 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 (2019: \$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 (2019: \$Nil).

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

30 Leases

Group

Operating leases - lessee

The total of future minimum lease payments is as follows:

	2020 \$ 000	2019 \$ 000
Not later than one year	567	152
Later than one year and not later than five years	2,271	2,196
Later than five years	4,668	5,064
	<u>7,506</u>	<u>7,412</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was \$135,000 (2019: \$Nil).

Finance leases - lessor

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

	2020 \$ 000	2019 \$ 000
Minimum lease payments	335,334	367,203
Gross investment	335,334	367,203
Unearned finance income	(53,038)	(73,196)
Net investment (present value of minimum lease payments)	<u>282,296</u>	<u>294,007</u>

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

	2020 \$ 000	2019 \$ 000		2020 \$ 000	2019 \$ 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	36,449	25,014		37,171	23,034
Later than one year and not later than five years	168,813	137,041		160,980	118,805
Later than five years	130,072	120,241		169,052	152,168
	<u>335,334</u>	<u>282,296</u>		<u>367,203</u>	<u>294,007</u>

Contingent rents recognised as income in the period are \$Nil (2019: \$Nil).

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Operating leases - lessor

The total of future minimum lease payments is as follows:

	2020 \$ 000	2019 \$ 000
Not later than one year	364,861	362,331
Later than one year and not later than five years	1,224,136	1,230,769
Later than five years	<u>755,369</u>	<u>827,665</u>
	2,344,366	2,420,765

Total contingent rents recognised as income in the period are \$Nil (2019: \$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

2020	\$ 000
Rental income and sale of fixed assets*	315,269
Management fee income	<u>236</u>
Total income	<u><u>315,505</u></u>
Amounts receivable from related party	<u><u>30,924</u></u>
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><u>233,966</u></u>
Amounts receivable from related party	<u><u>12,011</u></u>

*includes proceeds from sale of plant, property and equipment to the Group's associate of \$122,149,000 (2019: \$42,700,000).

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Expenditure with related parties

2020	\$ 000
Purchase of goods, services and fixed assets	258,501
Recharged expenditure made on behalf of the Group	<u>4,711</u>
Total purchases	<u>263,212</u>
Amounts payable to related party	<u>13,916</u>
2019	\$ 000
Purchase of goods, services and fixed assets	633,806
Recharged expenditure made on behalf of the Group	4,789
Transfers under licence agreements	<u>115</u>
Total purchases	<u>638,710</u>
Amounts payable to related party	<u>12,332</u>

32 Financial instruments

Group

Categorisation of financial instruments

	2020	2019
	\$ 000	\$ 000
Financial assets measured at fair value through profit or loss	<u>7,722</u>	<u>4,365</u>
	<u>7,722</u>	<u>4,365</u>
Financial liabilities measured at fair value through profit or loss	<u>(1,493)</u>	<u>-</u>
	<u>(1,493)</u>	<u>-</u>

Financial assets measured at fair value

Interest rate swap

The financial assets relate to the fair value of interest rate swaps used as fair value hedges (2019: fair value hedges and cash flow hedges) and is estimated by discounting expected future contractual cash flows using prevailing interest rate curves.

The fair value is \$7,722,000 (2019: \$4,365,000) and the change in value included in the income statement is \$3,773,000 (2019: \$3,181,000).

Financial liabilities measured at fair value

Interest rate swap

These financial liabilities relate to fair value of interest rate swaps used as cash flow hedges and is estimated by discounting expected future contractual cash flows using prevailing interest rate curves.

The fair value is \$(1,493,000) (2019: \$Nil) and the change in value included in profit or loss is \$Nil (2019: \$Nil).

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Fair value hedges

Interest rate swap

US\$95,000,000 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 2020 is \$7,722,000 (2019: \$3,949,000). The amount of the change in fair value of the hedging instrument recognised in the income statement for the period is \$3,773,000 (2019: \$3,181,000). The amount of the change in fair value of the hedged item recognised in the income statement for the period is \$(3,773,000) (2019: \$(3,181,000)).

Cash flow hedges

Interest rate swap

An amortising profile of floating interest rate borrowings, starting at US\$399,000,000, 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 2020 is \$(1,493,000) (2019: \$416,000). The amount of the change in fair value of the hedging instrument that was recognised in other comprehensive income during the period is \$1,533,000 (2019: \$1,900,000). The amount reclassified from equity to the income statement for the period is \$(216,000) (2019: \$1,500,000). 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 (2019: \$Nil).

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 SW11 0RH and those of GATX Corporation from 233 South Wacker Drive, Chicago IL 60606-7147, Illinois, USA.