

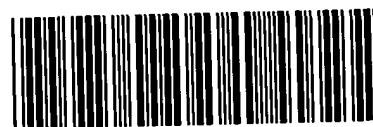
Registration number: 04133746

Alpha Partners Leasing Limited

Annual Report and Consolidated Financial Statements

For the Year Ended 31 December 2022

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Alpha Partners Leasing Limited

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Alpha Partners Leasing Limited

Company Information

Directors

E Prince
K Coleman
K J Hilesland
P W E Keywood
R C Lyons
T A Ellman

Company secretary

R Johnson

Registered office

1 Brewer's Green
London
SW1H 0RH
England

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Alpha Partners Leasing Limited

Strategic Report for the Year Ended 31 December 2022

The Directors present their strategic report for the year ended 31 December 2022. The comparative results for the prior year refer to the year ended 31 December 2021.

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 283 engines (2021: 306 engines), and closed with 281 engines (2021: 283 engines). During the year the Group acquired 9 engines (2021: 8 engines) and disposed 11 engines and transferred no engines from finance lease (2021: disposed 32 engines and transferred 1 engine from finance lease).

The Group also had an engine finance lease portfolio of 17 engines (2021: 20 engines).

Both the level of business and the year-end financial position were satisfactory based on the performance indicators below.

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

	Unit	2022	2021
Number of engines in operating lease portfolio		281	283
Number of engines in finance lease portfolio		17	20
Net Book Value of assets held for use in operating leases at year end	\$ 000	3,630,623	3,791,059
Revenue	\$ 000	389,060	382,908
Profit on disposal of fixed assets	\$ 000	24,152	5,685
Profit before taxation	\$ 000	78,067	76,761

In March 2022, international sanctions were imposed against the Russian aviation industry by banning sale or purchase of aircraft and parts, financing and technical assistance, as part of wider measures in response to the Russian military invasion of Ukraine. Consequently impairments were recognised during the year against engines that were deemed unlikely to be recoverable from Russia. Aside from these, the Company does not have any exposure to Russian airlines or assets located in Russia. Further details regarding impairments recognised by the Group against assets held for operating leases are disclosed in note 15.

Principal risks and financial risks

The principal risks and financial risks facing the Group are the risk of engines being off lease for extended periods, the risk of customer bankruptcy and resultant bad debts, and the risk of funding availability and interest rate risk. The directors review these risks on an annual basis and take management decisions accordingly.

Approved by the Board on 23 March 2023 and signed on its behalf by:

DocuSigned by:



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E Prince

Director

Alpha Partners Leasing Limited

Directors' Report for the Year Ended 31 December 2022

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2022. The comparative results for the prior year refer to the year ended 31 December 2021.

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:

B P Fidler (resigned 23 February 2023)

E Prince (appointed 10 March 2023)

K Coleman (appointed 10 March 2023)

K J Hilesland

M Dix (resigned 13 February 2023)

P W E Keywood

R C Lyons

T A Ellman

Dividends

The Directors declared interim dividends for the year totalling \$16,324 per 'A' and 'B' ordinary share (2021: \$nil per 'A' and 'B' ordinary share). They do not recommend payment of any further dividend. The total cost of dividends for the year is \$27,750,000 (2021: \$nil).

Future developments

In the near term, the Directors expect the financial performance and position to be sustained for the foreseeable future, following the improvements seen in the airline sector and flying hours as economies recover from the COVID-19 pandemic. However the impact of higher cost of living and the indirect impact of Russia-Ukraine conflict are providing headwinds, but these are not expected to have a material impact on the Group's financial performance.

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 creditors and loan repayments necessary within one year from signing these financial statements.

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 Group's ability to do so. See note 2 for further details.

Alpha Partners Leasing Limited

Directors' Report for the Year Ended 31 December 2022

Environmental & Social 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 87% (2021: 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 87% to 100% based on FTEs.

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 2022.

GHG emissions for business travel cover all FTEs and in 2022 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.

GHG emissions	2022	2021
	tCO ₂ e	tCO ₂ e
From energy	15.6	14.9
From travel*	387.2	68.1
Total	402.8	83.0
GHG emissions per full time employee	2022	2021
	tCO ₂ e per FTE	tCO ₂ e per FTE
From energy	0.4	0.5
From travel*	9.9	2.0
Total	10.3	2.5
Energy consumption	2022	2021
	kWh	kWh
UK	70,469	63,759
Other	10,530	6,306
Total	80,999	70,065

*The comparative figures for 2021 have been restated, as there was an overstatement in the Group's travel emissions reported.

Alpha Partners Leasing Limited

Directors' Report for the Year Ended 31 December 2022

Group Actions

We recognise that human behaviour is increasing the levels of greenhouse gas in the atmosphere and accelerating global climate change. The Group's subsidiary, Rolls-Royce & Partners Finance Limited, was the first aviation business to be certified by the Carbon Literacy Project. This training programme was an important first step for us on our journey to Net Zero. At the end of 2022, 84% of our team has completed this innovative training.

We have an active employee group within the business that leads on our community and sustainability agenda. We support charities local to our operations and organise events to engage our whole team on important issues.

In 2022, we supported the following charities:

- Back-Up
- Mind
- Mosaic LGBT+ Young Persons' Trust
- Pimlico Toy Library
- St Andrew's Youth Club
- St Mungo's
- UNHCR (United Nations High Commissioner for Refugees)
- Woman's Trust

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 Financial Statements.

Disclosure of information to the auditors

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the 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.

Alpha Partners Leasing Limited

Directors' Report for the Year Ended 31 December 2022

Directors' Duties

The Directors of the Group, 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;
- the need to act fairly as between shareholders of the company.

Each year the Board undertakes an in-depth review of the Group'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 Group aims to be a responsible employer at all times. The Directors recognise the importance of strong relationships with the Group'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 Group recognises the importance of the community and environment in which it operates. During the year the Group supported several charities which align with its values and the Directors intend to continue this going forward.

The Group 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 31 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.

Approved by the Board on 23 March 2023 and signed on its behalf by:

DocuSigned by:

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E Prince
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 of the Income Statements of the Group 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 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 transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

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 2022 and of the group's profit 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, including 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 2022; the Consolidated Income Statement, the 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.

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 2022 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.

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, global economic sanctions 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 and UK tax legislation. 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 to inflate performance. Audit procedures performed by the engagement team included:

- inquiries with management and the in-house legal counsel around any actual and potential litigation and claims, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- assessed the susceptibility of the entity's financial statements to material misstatement, including critical judgements and estimates and how fraud might occur;
- identified and tested journal entries, in particular any journal entries posted with unusual combinations or those posted by unexpected users.

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.

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 obtained 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 Accountants and Statutory Auditors
London
23 March 2023

Alpha Partners Leasing Limited

Consolidated Income Statement for the Year Ended 31 December 2022

	Note	2022 \$ 000	2021 \$ 000
Revenue	5	389,060	382,908
Cost of sales		(255,057)	(273,630)
Gross profit		134,003	109,278
Administrative expenses		(11,814)	(9,597)
Other operating income	6	36,049	61,671
Profit on sale of property, plant and equipment		24,152	5,685
Operating profit		182,390	167,037
Interest receivable and similar income		4,337	453
Interest payable and similar expenses	11	(108,048)	(90,729)
Share of (loss)/profit of equity accounted investees		(612)	-
Profit before taxation		78,067	76,761
Taxation	12	(21,587)	(101,140)
Profit/(loss) for the financial year		56,480	(24,379)

The above results were derived from continuing operations.

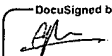
Alpha Partners Leasing Limited**Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2022**

	Note	2022 \$ 000	2021 \$ 000
Profit/(loss) for the financial year		56,480	(24,379)
Unrealised gain on cash flow hedges before tax		182	981
Share of OCI of equity accounted investees		1,429	-
Income tax effect	12	(485)	(156)
		1,126	825
Total comprehensive income/(expense) for the year		57,606	(23,554)

Alpha Partners Leasing Limited**(Registration number: 04133746)****Consolidated Balance Sheet as at 31 December 2022**

	Note	2022 \$ 000	2021 \$ 000
Non-current assets			
Intangible assets	14	4,217	4,570
Property, plant and equipment	15	3,631,359	3,791,860
Investments	17	1,016	200
Other financial assets	16	200,740	205,586
		<u>3,837,332</u>	<u>4,002,216</u>
Current assets			
Inventories	18	25,281	30,680
Receivables	19	157,307	90,338
Cash at bank and in hand		287,435	321,585
		<u>470,023</u>	<u>442,603</u>
Payables: Amounts falling due within one year	20	(601,980)	(412,084)
		<u>(131,957)</u>	<u>30,519</u>
Net current (liabilities)/assets			
		<u>3,705,375</u>	<u>4,032,735</u>
Total assets less current liabilities			
Payables: Amounts falling due after more than one year	21	(2,491,300)	(2,870,511)
Provisions for liabilities	24	(375,290)	(353,295)
		<u>838,785</u>	<u>808,929</u>
Net assets			
Equity			
Called up share capital	26	1	1
Share premium		229,899	229,899
Capital reserve	26	42,708	42,708
Cash flow hedging reserve		-	(54)
Share of OCI of equity accounted investees		1,072	-
Retained earnings		565,105	536,375
		<u>838,785</u>	<u>808,929</u>
Total shareholders' funds		<u>838,785</u>	<u>808,929</u>

The financial statements were approved and authorised by the Board of Directors on 23 March 2023 and signed on its behalf by:

DocuSigned by:

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E Prince
 Director


The notes on pages 18 to 43 form an integral part of these financial statements.

Alpha Partners Leasing Limited
(Registration number: 04133746)
Company Balance Sheet as at 31 December 2022

	Note	2022 \$ 000	2021 \$ 000
Non-current assets			
Investments	17	230,350	230,350
Other financial assets	16	9,821	9,850
		<u>240,171</u>	<u>240,200</u>
Current assets			
Receivables	19	252	48
Cash at bank		344	16
		<u>596</u>	<u>64</u>
Payables: Amounts falling due within one year	20	(1)	(1)
		<u>595</u>	<u>63</u>
Net current assets			
		<u>240,766</u>	<u>240,263</u>
Net assets			
		<u>240,766</u>	<u>240,263</u>
Equity			
Called up share capital	26	1	1
Share premium		229,899	229,899
Retained earnings		10,866	10,363
		<u>240,766</u>	<u>240,263</u>
Total shareholders' funds		<u>240,766</u>	<u>240,263</u>

The Company made a profit after tax for the financial year of \$28,253,000 (2021: profit of \$10,098,000).

The financial statements were approved and authorised by the Board of Directors on 23 March 2023 and signed on its behalf by:

DocuSigned by:

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E Prince
 Director

Alpha Partners Leasing Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022
Equity attributable to the parent company

	Share capital \$ 000	Share premium \$ 000	Capital reserve \$ 000	Cash flow hedging reserves \$ 000	Share of OCI of equity accounted investees \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2022	1	229,899	42,708	(54)	-	536,375	808,929
Profit for the year	-	-	-	-	-	56,480	56,480
Other comprehensive expense	-	-	-	54	1,072	-	1,126
Total comprehensive income	-	-	-	54	1,072	56,480	57,606
Dividends	-	-	-	-	-	(27,750)	(27,750)
At 31 December 2022	1	229,899	42,708	-	1,072	565,105	838,785
	Share capital \$ 000	Share premium \$ 000	Capital reserve \$ 000	Cash flow hedging reserves \$ 000	Share of OCI of equity accounted investees \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2021	1	229,899	42,708	(879)	-	560,754	832,483
Loss for the year	-	-	-	-	-	(24,379)	(24,379)
Other comprehensive income	-	-	-	825	-	-	825
Total comprehensive income / (expense)	-	-	-	825	-	(24,379)	(23,554)
At 31 December 2021	1	229,899	42,708	(54)	-	536,375	808,929

The notes on pages 18 to 43 form an integral part of these financial statements.

Alpha Partners Leasing Limited**Company Statement of Changes in Equity for the Year Ended 31 December 2022**

	Share capital \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2022	1	229,899	10,363	240,263
Profit for the financial year	-	-	28,253	28,253
Total comprehensive income	-	-	28,253	28,253
Dividends	-	-	(27,750)	(27,750)
At 31 December 2022	1	229,899	10,866	240,766
	Share capital \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2021	1	229,899	265	230,165
Profit for the financial year	-	-	10,098	10,098
Total comprehensive income	-	-	10,098	10,098
At 31 December 2021	1	229,899	10,363	240,263

Alpha Partners Leasing Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2022

	2022 \$ 000	2021 \$ 000
Cash flows from operating activities		
Profit/(loss) for the year	56,480	(24,379)
<i>Adjustments to cash flows from non-cash items</i>		
Depreciation and amortisation	200,202	208,857
Impairment	48,247	17,483
Profit on disposal of property, plant & equipment	(24,152)	(5,685)
Interest receivable and similar income	(4,337)	(453)
Interest payable and similar expense	108,048	90,729
Share of loss of equity accounted investees	612	-
Income tax expense	21,587	101,140
	<hr/> 406,687	<hr/> 387,692
<i>Working capital adjustments</i>		
(Increase)/decrease in inventories	(3,002)	10,858
(Increase)/decrease in trade and other receivables	(68,273)	39,078
(Decrease)/increase in trade and other payables	(19,719)	59,552
	<hr/>	<hr/>
Cash from operations	315,693	497,180
Income taxes paid	-	(152)
	<hr/>	<hr/>
Net cash inflow from operating activities	315,693	497,028
	<hr/>	<hr/>
Cash flows (used in)/from investing activities		
Interest received	4,339	453
Acquisitions of property, plant & equipment	(138,863)	(118,592)
Proceeds from sale of property, plant & equipment	63,607	168,443
Acquisition of intangible assets	-	(1,952)
Acquisition of investments in associates	-	(200)
	<hr/>	<hr/>
Net cash (outflow)/inflow (used in)/from investing activities	(70,917)	48,152
	<hr/>	<hr/>
Cash flows used in financing activities		
Interest paid	(90,788)	(85,349)
Repayment of bank and other borrowings	(160,173)	(425,340)
Proceeds from bank and other borrowing draw downs (net of issue costs)	(215)	199,398
Dividends paid	(27,750)	-
	<hr/>	<hr/>
Net cash outflow used in financing activities	(278,926)	(311,291)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(34,150)	233,889
Cash and cash equivalents at 1 January	321,585	87,696
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	287,435	321,585
	<hr/>	<hr/>

The notes on pages 18 to 43 form an integral part of these financial statements.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

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 (\$) which is also the functional currency of the Company. 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 4.

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings ("Group") drawn up to 31 December 2022.

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.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding net current liabilities of \$131,957,000 (2021: net current assets of \$30,516,000).

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 receivables against the payables and loan repayments necessary within one year from signing these financial statements in combination with the Group's undrawn revolving credit facility of \$450,000,000 which remains available through the going concern period.

The Directors therefore 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 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.

Financial instruments

Basis

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

Classification

In accordance with Section 22 of FRS 102, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

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 any 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 when the Group does not have an unconditional right, at the end of the reporting year, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

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

Borrowings

Bank and other borrowings are initially recorded at fair value, net of transaction costs. Bank and other borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar expense.

Borrowings are classified as payables due within one year unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

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.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Other financial instruments (continued)

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in the income statement. For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in the income statement the hedging gain or loss is reclassified to the income statement. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Investments

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

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.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Depreciation (continued)

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.

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 Balance Sheet while the engine will be derecognised from assets held for operating leases. The amounts recognised 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 groups of assets, the "cash-generating unit" (CGUs) 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. The resulting calculation is sensitive to these assumptions. The Directors consider the assumptions to represent the best estimate.

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 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 2022

2 Accounting policies (continued)

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 visits 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 year 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.

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 recognised and cash received is included in trade receivables, accrued income or other assets, or in the event it is a liability, in trade payables, accrued expenses and other liabilities.

Lease agreements where rent is based on floating interest rates are included in minimum lease payments based on the assumed rental amount in the lease. Increases or decreases in lease payments that result from changes in the floating interest rate are recorded as increases or decreases in lease revenue in the year of the interest rate change.

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

Revenue from net investment in finance leases is recognised 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.

Alpha Partners Leasing Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****2 Accounting policies (continued)****Net profit 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.

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

Taxation

The tax expense for the year 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 only to the extent that it is probable that future taxable profits, which include the reversal of taxable temporary differences, will be available against which the assets can be utilised.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

3 LIBOR reform transition

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 be phased out in 2023. The Group currently relies on USD 3-month and 6-month LIBOR for certain contracts. Amendments to these contracts will take place in due course.

4 Critical accounting estimates and judgements

The Group 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.

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. See note 15 for further details on any impairment charges in the year.

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. There is also judgement in the release of maintenance reserve balances for engines still on lease, which is based on managements expectation of shop visits at the end of lease terms based on customer interaction and future demand for engines. See notes 20 and 21 for the maintenance reserve balances.

5 Revenue

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

	2022	2021
	\$ 000	\$ 000
Operating lease rentals	360,312	349,506
Finance lease rentals	9,766	11,489
Spare parts sales	18,982	21,913
	<u>389,060</u>	<u>382,908</u>

An analysis of Group's revenue by destination is as follows:

	2022	2021
	\$ 000	\$ 000
United Kingdom	220,648	208,615
Rest of Europe	45,045	48,694
Americas	32,172	36,978
Asia, Oceania and Africa	91,195	88,621
	<u>389,060</u>	<u>382,908</u>

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

6 Other operating income

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

	2022	2021
	\$ 000	\$ 000
Other operating income	36,049	61,671

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

7 Operating profit

Arrived at after charging:

	2022	2021
	\$ 000	\$ 000
Depreciation expense	199,758	208,742
Amortisation expense	444	115
Impairment loss	48,247	17,483
(Write back) / impairment of receivables	(13,369)	22,351
Operating lease expense - property	581	571

During the year ended 31 December 2022, the Group recognised impairments of \$48,247,000 (2021: \$17,483,000) against assets held for operating leases. In addition, an adjustment to the carrying amount of property, plant and equipment of \$17,847,000 (2021: \$37,502,000) has been recorded which has been offset by a release from the maintenance reserve resulting in a net nil impact in the income statement. See note 15 for further details on any impairment charges in the year.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

8 Staff number and costs

The aggregate payroll costs were as follows:

	2022	2021
	\$ 000	\$ 000
Wages and salaries	5,904	4,276
Social security costs	632	387
Other pension costs	323	321
	<u>6,859</u>	<u>4,984</u>

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

	2022	2021
	No.	No.
Full-time equivalent employees	<u>39</u>	<u>33</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.

9 Directors' remuneration

The Group and Company paid no emoluments to the Directors in respect of their services during the year (2021: \$nil). The 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 (2021: \$nil) and any allocation for their services to this Group and Company would be notional.

10 Auditors' remuneration

	2022	2021
	\$ 000	\$ 000
Audit of these financial statements	77	82
Amounts receivable by the Company's auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the Company	349	334
Audit-related assurance services	47	288
	<u>473</u>	<u>704</u>

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

11 Interest payable and similar expense

	2022 \$ 000	2021 \$ 000
Interest on bank borrowings	23,668	18,597
Interest on other loans	84,380	72,132
	<u>108,048</u>	<u>90,729</u>

12 Taxation

Tax charged in the income statement

	2022 \$ 000	2021 \$ 000
Current taxation		
Foreign tax	13	152
Total current income tax	<u>13</u>	<u>152</u>

Deferred taxation

Arising from origination and reversal of timing differences	18,292	21,658
Arising from adjustments in respect of increase in tax rate	-	79,708
Arising from adjustments in respect of prior period	3,282	(378)
Total deferred taxation	<u>21,574</u>	<u>100,988</u>
Tax expense in the income statement	<u>21,587</u>	<u>101,140</u>

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

12 Taxation (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK of 19% (2021: higher than the standard rate of corporation tax in the UK of 19%).

The differences are reconciled below:

	2022 \$ 000	2021 \$ 000
Profit before taxation	78,067	76,761
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	14,833	14,585
(Non taxable income) / expenses not deductible in determining taxable profit	(667)	2,013
Adjustments in respect of changes in tax rate	-	79,708
Movement in unrecognised deferred tax	-	(30)
Overseas tax difference from standard UK rate	(52)	37
Adjustments in respect of prior periods	3,282	(378)
Tax rate differential on temporary differences	4,191	5,205
Total tax charge	21,587	101,140

In the UK Budget 2021, it was announced that the main rate of UK corporation tax would increase from 19% to 25% with effect from 1 April 2023 and this was enacted in June 2021. As the 25% rate was substantively enacted by the balance sheet date, deferred tax balances have been calculated and recorded using this rate. No net reversal of the deferred tax liability is expected to occur in the next reporting period.

Tax relating to items recognised in other comprehensive income

	2022 \$ 000	2021 \$ 000
Deferred tax related to items recognised as items of equity	485	156

Alpha Partners Leasing Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****13 Dividends**

	2022 \$ 000	2021 \$ 000
Interim dividend of \$16,324 (2021 - \$nil) per ordinary share	27,750	-

14 Intangible assets**Group**

	Internally generated software development cost \$ 000
Cost or valuation	
At 1 January 2022	4,723
Additions internally developed	91
At 31 December 2022	4,814
Accumulated amortisation	
At 1 January 2022	153
Charge for the year	444
At 31 December 2022	597
Carrying amount	
At 31 December 2022	4,217
At 31 December 2021	4,570

Included within the carrying amount of intangible assets is \$nil (2021: \$3,575,000) relating to assets that are not yet available for use.

The aggregate amount of research and development expenditure recognised as an expense during the year is \$nil (2021: \$nil).

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

15 Property, plant and equipment

Group

	Furniture, fittings and equipment \$ 000	Assets held for use in operating leases \$ 000	Total \$ 000
Cost			
At 1 January 2022	967	4,958,144	4,959,111
Additions	-	163,439	163,439
Transferred from inventory	-	10,821	10,821
Disposals	-	(107,776)	(107,776)
Transferred to inventory	-	(23,750)	(23,750)
At 31 December 2022	967	5,000,878	5,001,845
Accumulated depreciation and impairment			
At 1 January 2022	166	1,167,085	1,167,251
Charge for the year	65	199,693	199,758
Eliminated on disposal	-	(42,504)	(42,504)
Transferred to inventory	-	(20,113)	(20,113)
Impairment charge	-	48,247	48,247
Other	-	17,847	17,847
At 31 December 2022	231	1,370,255	1,370,486
Carrying amount			
At 31 December 2022	736	3,630,623	3,631,359
At 31 December 2021	801	3,791,059	3,791,860

Other relates to an adjustment to carrying amount of \$17,847,000 (2021: \$37,502,000) which has been offset by a release from the maintenance reserve resulting in a net nil impact in the income statement (note 21).

As a result of the international sanctions imposed against the Russian aviation industry as part of wider measures in response to the Russian military invasion of Ukraine, the Group recognised an impairment charge of \$38,704,000 against engines that were deemed unlikely to be recoverable from Russia. Impairment charges of \$9,543,000 were also recognised during the year against assets held for operating leases primarily attributable to increase in discount rates. 1% increase in the discount rate would lead to an additional impairment charge of \$4,222,000.

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

16 Other financial assets

	Group		Company	
	2022	2021	2022	2021
	\$ 000	\$ 000	\$ 000	\$ 000
Derivatives used for hedging	-	4,285	-	-
Finance lease receivables	170,207	185,559	-	-
Other non-current receivables	30,533	15,742	9,821	9,850
	<u>200,740</u>	<u>205,586</u>	<u>9,821</u>	<u>9,850</u>

17 Investments

Composition of the Group

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

Subsidiary undertakings	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2022	2021
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%
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 Engine Leasing (Tianjin) Limited	China	Ordinary shares	100%	100%
Aether Asset Management Services Limited*	England	Ordinary shares	100%	100%

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

17 Investments (continued)

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
RRPF Asset Management Services Limited* - Aero engine lease management services
RRPF Engine Leasing (Tianjin) Limited - Leasing of aero engines
Aether Asset Management Services Limited* - Aero engine lease management services

* indicates direct investment of the company

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 Engine 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 2022

17 Investments (continued)

Associates	\$ 000
Cost	
At 1 January 2022	200
Additions	-
At 31 December 2022	200
Aggregate financial information of associates	
At 1 January 2022	-
Group's share of profit / (loss) in associates	816
At 31 December 2022	816
Carrying amount	
At 31 December 2022	1,016
At 31 December 2021	200

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	
			2022	2021
Associates				
Hyphen Holdings Limited*	England	Ordinary shares	10%	10%
Beta One Holding Limited*	England	Ordinary shares	20%	20%

* indicates direct investment of the company

Principal activity

The principal activity of Hyphen Holdings Limited is leasing of aero engines. The principal activity of Beta One Holding Limited is to provide aero engines to customers enrolled in its capacity agreements.

Company

	2022 \$ 000	2021 \$ 000
Investments in subsidiaries	229,900	229,900
Investments in associates	450	450
	<u>230,350</u>	<u>230,350</u>

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

18 Inventories

	2022 \$ 000	2021 \$ 000
Aero engine spare parts	25,281	30,680

Inventories are stated after provisions for impairment of \$8,341,000 (2021: \$8,421,000).

19 Receivables

	2022 \$ 000	Group 2021 \$ 000	2022 \$ 000	Company 2021 \$ 000
Trade receivables	7,412	16,790	-	-
Amounts owed by related parties	39,855	308	252	48
Accrued income	11,285	8,206	-	-
Group relief receivable	1,735	1,735	-	-
Other receivables	8,941	7,701	-	-
Prepayments	64,977	22,971	-	-
Finance lease receivables	23,102	32,627	-	-
Due within one year	157,307	90,338	252	48

Trade receivables are stated after provisions for impairment of \$10,014,000 (2021: \$48,218,000).

20 Payables: Amounts falling due within one year

	Note	2022 \$ 000	Group 2021 \$ 000	2022 \$ 000	Company 2021 \$ 000
Loans and borrowings	22	455,606	268,600	-	-
Trade payables		2,243	5,320	-	-
Amounts owed to related parties		3,028	41,152	1	1
Other payables		4,709	7,585	-	-
Accruals and deferred income		82,222	58,486	-	-
Maintenance reserves		52,238	30,941	-	-
Derivatives used for hedging		1,934	-	-	-
		601,980	412,084	1	1

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

21 Payables: Amounts falling due after more than one year

	Note	2022 \$ 000	Group 2021 \$ 000
Loans and borrowings	22	2,405,649	2,755,742
Maintenance reserves		70,804	98,316
Other non-current liabilities		14,847	15,941
Derivatives used for hedging		-	512
		<u>2,491,300</u>	<u>2,870,511</u>

Group

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

	2022 \$ 000	2021 \$ 000
At the beginning of the year	129,257	156,801
Provided during the year	49,745	71,629
Released during the year	(38,113)	(61,671)
Released to offset adjustments to PPE (note 15)	(17,847)	(37,502)
	<u>123,042</u>	<u>129,257</u>

22 Loans and borrowings

	2022 \$ 000	Group 2021 \$ 000
Loans and borrowings due within one year		
Bank borrowings	111,758	117,808
Other borrowings	343,848	150,792
	<u>455,606</u>	<u>268,600</u>

	2022 \$ 000	Group 2021 \$ 000
Loans and borrowings due after more than one year		
Bank borrowings	481,309	470,422
Other borrowings	1,924,340	2,285,320
	<u>2,405,649</u>	<u>2,755,742</u>

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

22 Loans and borrowings(continued)

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

	2022 \$ 000	2021 \$ 000
After more than five years by instalments	90,344	112,135
After more than five years not by instalments	1,205,000	1,305,000
	<u>1,295,344</u>	<u>1,417,135</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 years ended 31 December 2022 and 2021.

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 \$450,000,000. Borrowings are secured by the assets of the Group and its affiliates. As at 31 December 2022, the Group utilised \$nil (2021: \$nil) of this facility.

In March 2020, the Group and its affiliates exercised the final option to extend the termination date to 11 May 2025. 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 \$nil. As of 31 December 2022 the Group had not exercised this option.

Bank loans

The carrying amount of the Group's bank loans and facilities as at 31 December 2022 comprised of:

- \$380,000,000 of fixed interest loans maturing between April 2026 and October 2026
- \$215,793,000 of variable interest loan notes, payable by instalments and maturing between April 2023 and October 2024.

Other borrowings

Other borrowings relate to private placements and related party loans.

The carrying amounts of the loan notes comprised of:

- \$809,000,000 of fixed interest loan notes with maturity dates between October 2023 and June 2033
- \$346,600,000 of fixed interest loan notes payable by instalments with maturity dates between October 2026 and July 2028
- \$1,041,000,000 of variable interest loan notes with maturity dates between October 2023 and June 2033

The above other borrowings are net of private placement loan fees of \$8,045,000 (2021: \$10,074,000) and interest rate swap fees of \$27,000 (2021: \$140,000).

Loans from related parties relate to a loan with a total principal amount outstanding of \$nil as at 31 December 2022 (2021: \$5,350,000).

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 2022

23 Analysis of changes in net debt

	As at 1 January 2022 \$ 000	Cash flows \$ 000	Fair value movements \$ 000	Non cash changes \$ 000	As at 31 December 2022 \$ 000
Cash	321,585	(34,150)	-	-	287,435
Bank and other borrowings	(3,021,036)	160,388	-	(2,237)	(2,862,885)
Interest rate swap	(3,306)	-	4,936	-	1,630
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net debt	<u>(2,702,757)</u>	<u>126,238</u>	<u>4,936</u>	<u>(2,237)</u>	<u>(2,573,820)</u>

24 Provisions for liabilities

Group

Deferred tax (assets) and liabilities

	Liability \$ 000
2022	
Accelerated capital allowances	375,915
Accumulated losses carried forward	(124)
Other temporary differences	(501)
	<u> </u>
	<u>375,290</u>
	<u> </u>
	<u> </u>
2021	
Accelerated capital allowances	354,824
Accumulated losses carried forward	(233)
Other temporary differences	(1,296)
	<u> </u>
	<u>353,295</u>
	<u> </u>
	<u> </u>

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

25 Pension and other schemes

Defined benefit pension schemes

The Group'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 Group
- 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 2022 were \$323,000 (2021: \$321,000). The required disclosures related to the schemes are given in the Group financial statements of Rolls-Royce Holdings plc.

26 Called up share capital

Allotted, called up and fully paid shares

	No.	2022 \$	No.	2021 \$
'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>

Both 'A' and 'B' ordinary shares have the same rights associated with them.

The capital reserve was established as the difference between the nominal value of the Company's share capital and that of its then subsidiaries upon the companies' merger on 29 December 2000. This reserve is non-distributable.

27 Commitments

Group

Capital commitments

The total amount contracted for but not provided in the financial statements was \$47,803,000 (2021: \$40,647,000).

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

28 Leases

Group

Operating leases - lessee

The total of future minimum lease payments is as follows:

	2022 \$ 000	2021 \$ 000
Not later than one year	500	563
Later than one year and not later than five years	2,001	2,251
Later than five years	3,113	4,100
	<u>5,614</u>	<u>6,914</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was \$581,000 (2021: \$571,000).

Finance leases - lessor

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

	2022 \$ 000	2021 \$ 000
Minimum lease payments	232,988	258,300
Gross investment	232,988	258,300
Unearned finance income	(39,679)	(40,115)
Net investment (present value of minimum lease payments)	<u>193,309</u>	<u>218,185</u>

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

	2022 \$ 000		2021 \$ 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	25,049	23,102	33,670	32,627
Later than one year and not later than five years	158,227	132,810	150,537	129,848
Later than five years	49,712	37,396	74,093	55,710
	<u>232,988</u>	<u>193,309</u>	<u>258,300</u>	<u>218,185</u>

Contingent rents recognised as income in the year are \$nil (2021: \$nil).

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

28 Leases (continued)

Operating leases - lessor

The total of future minimum lease payments is as follows:

	2022 \$ 000	2021 \$ 000
Not later than one year	340,326	323,147
Later than one year and not later than five years	1,053,259	1,074,144
Later than five years	431,078	494,674
	1,824,663	1,891,965

Contingent rents recognised as income in the year are \$nil (2021: \$nil).

29 Related party transactions

Group

Summary of transactions with other related parties

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 associates of Alpha Partners Leasing Limited. 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

	2022 \$ 000
Rental income and sale of fixed assets	187,009
Management fee income	1,851
	188,860
Amounts receivable from related parties*	87,267
	188,860
	87,267
	2021 \$ 000
Rental income and sale of fixed assets	295,735
Management fee income	1,558
	297,293
Amounts receivable from related parties	11,893
	297,293
	11,893

*\$47,425,000 is included within prepayments.

Alpha Partners Leasing Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****29 Related party transactions (continued)****Expenditure with related parties****2022****\$ 000**

Purchase of goods, services and fixed assets

96,815

Recharged expenditure made on behalf of the Group

6,126

Total purchases

102,941

Amounts payable to related parties

3,029

2021**\$ 000**

Purchase of goods, services and fixed assets

120,817

Recharged expenditure made on behalf of the Group

4,525

Total purchases

125,342

Amounts payable to related parties

41,152

Alpha Partners Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

30 Financial instruments

Group

Categorisation of financial instruments

	2022 \$ 000	2021 \$ 000
Financial assets measured at fair value through profit or loss	-	4,285
Financial liabilities measured at fair value through profit or loss	(1,934)	(512)

Financial liabilities measured at fair value

Interest rate swap

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

The fair value is \$1,934,000 (2021: asset of \$4,285,000) and the change in value included in the profit or loss is \$6,219,000 (2021: \$3,437,000).

Fair value hedges

Interest rate swap

\$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 2022 is \$(1,934,000) (2021: \$4,285,000). The amount of the change in fair value of the hedging instrument recognised in the income statement for the year is \$(6,219,000) (2021: \$(3,437,000)). The amount of the change in fair value of the hedged item recognised in the income statement for the year is \$6,219,000 (2021: \$3,437,000).

Cash flow hedges

Interest rate swap

During the year, the interest rate swaps used as cash flow hedges matured. The fair value of the financial instruments designated as hedging instruments at 31 December 2021 was \$(512,000).

31 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.