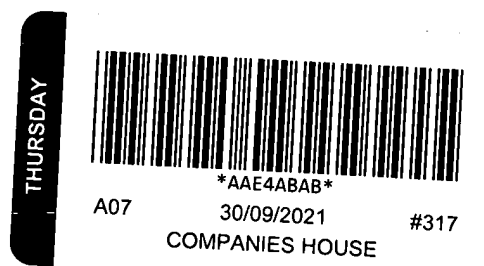


Registration number: 00329435

# Rolls-Royce Leasing Limited

Annual Report and Financial Statements  
for the year ended 31 December 2020



**Rolls-Royce Leasing Limited**  
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## **Rolls-Royce Leasing Limited**

### **Company Information**

**Registered office**

Moor Lane  
Derby  
Derbyshire  
DE24 8BJ

**Independent auditors**

PricewaterhouseCoopers LLP  
1 Embankment Place  
Charing Cross  
London  
WC2N 6RH

## **Rolls-Royce Leasing Limited**

### **Strategic Report**

### **for the year ended 31 December 2020**

The Directors present their Strategic Report on Rolls-Royce Leasing Limited (the "Company") together with the audited financial statements for the year ended 31 December 2020.

#### **Principal activities**

The Company predominantly provides short-term lease solutions to support its immediate parent company, Rolls-Royce plc, in honouring its obligations under TotalCare Packages or on a Time and Material basis. The volume of engines within the lease pool has continued to grow in line with the increase in the volume of aircraft in service within customer fleets and the number of customers opting for a TotalCare Agreement. The size of the pool for New Product Introduction (NPI) is anticipated to grow however the number of engines supporting the older fleet is expected to reduce as airlines retire older aircraft due to the impact of COVID-19. A plan has been developed to reduce the size of the legacy fleets and this is being enacted through scrapping engines, selling back to Rolls-Royce plc for used parts or returning to the Lessor.

#### **Financial position and performance review of the year ended 31 December 2020**

The financial position of the Company at 31 December 2020 is shown in the Balance Sheet on page 16 the Statement of Changes in Equity on page 17 and the Statement of Comprehensive Income on page 15.

The net assets of the Company at 31 December 2020 were £34,980 thousand (2019 net assets: £20,762 thousand). The increase in assets has been driven through various movements in particular by more engines held in inventory as the Trent XWB pool is built up to support the business and financing options are under review with certain engines being available for sale in particular agreements, capitalisation of engines that were previously held in inventory and a reduction of the Right of Use balance as the remaining lease term of engines reduces.

Revenue in 2020 was broadly in line with 2019 although there has been an increase in external revenue offsetting a decrease in internal revenue. This is due to the reduction in demand from customers through TotalCare Agreements as utilisation and flying hours continues to remain below 2019 levels. The increase in external revenue has been driven by the mix of chargeable elements of leases and also billing at the end of leases when operators have returned engines.

#### **Principal risks and uncertainties**

The Rolls-Royce Holdings plc group has an established structured approach to risk management which is detailed in the Rolls-Royce Holdings plc Annual Report (see note 19). The Company acts in accordance with this policy.

The key risks within the Company are the management of the size of the lease pool to meet the varying customer demand and to continually manage the older fleet to extract the value of engines as the fleet sizes reduce.

From the perspective of the Company, the principal risks and uncertainties are integral to the principal risks of the Rolls-Royce Holdings plc group and are not managed separately. Accordingly, a full consideration of the principal risks and uncertainties of Rolls-Royce Holdings plc group, which include those of the Company, is discussed in the Rolls-Royce Holdings plc group's annual report which does not form part of this report (see note 19).

**Rolls-Royce Leasing Limited**  
**Strategic Report**  
**for the year ended 31 December 2020**

**Financial risk management**

The Rolls-Royce Holdings plc group has an established, structured approach to risk management, which is detailed in the consolidated financial statements of Rolls-Royce Holdings plc (see note 19). The Company acts in accordance with this policy. The following risks are considered key by the Directors:

*Price risk*

The Company recharges all costs associated with providing engines on a demand basis to satisfy Rolls-Royce's obligations to Rolls-Royce plc. For external sales, the Company makes a fixed 3% margin before tax, and so overall pricing risk is considered to be low.

*Credit risk*

The Company's credit risk is primarily attributable to its trade receivables from customers. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The main customer of the Company is Rolls-Royce plc. The Company has a number of receivables with airlines and monitors the recoverability of these balances on a monthly basis. The risk of the recoverability of these balances has increased during the last 12 months through the impact of Covid-19 on the liquidity of the Airlines. Due to the trading relationship with Rolls-Royce plc the Company only makes a fixed 3% margin before tax on external revenue and therefore the impact of doubtful receivables is minimal and so the overall credit risk is low.

*Liquidity risk*

The Company does not operate any bank accounts and liquidity along with the associated risk is managed through an inter-company position with Rolls-Royce plc and so the overall liquidity risk is considered to be low.

*Foreign exchange risk*

The Company does not hold any cash balances and operates through an intercompany cash pooling arrangement. Purchases and sales are predominantly made in US Dollars and therefore the Company is exposed to foreign exchange fluctuations. However, this risk is mitigated by the Rolls-Royce Holdings plc group managing the foreign exchange risk at a group level and that any foreign exchange gain or loss gets captured in the recharge back to Rolls-Royce Holdings plc group, so the overall foreign exchange risk to the Company is considered to be low.

**Rolls-Royce Leasing Limited**

**Strategic Report**  
**for the year ended 31 December 2020**

**Key performance indicators***Non-financial KPIs*

	<b>2020</b>	<b>2019</b>
Turn round time post engine redelivery	<u>106 days</u>	<u>40 days</u>

The 12 month standard redelivery was 106 days for 2020. The increase is due to the impact of Covid-19 leading to a large number of Airlines returning both short term and long term engines. These airlines were forced into delays in providing paperwork as they furloughed or laid off staff.

**Results**

	<b>2020</b> <b>£ 000</b>	<b>2019</b> <b>£ 000</b>
Internal Revenue	310,471	328,311
External Revenue	<u>168,718</u>	<u>147,938</u>
	<u>479,189</u>	<u>476,249</u>

**Balance Sheet**

	<b>2020</b> <b>£ 000</b>	<b>2019</b> <b>£ 000</b>
Net assets	<u>34,980</u>	<u>20,762</u>

The lease pool grew to support the Trent XWB engine types. These engines will be used to underpin the parent company's TotalCare commitments either supporting on a short-term basis or as part of TotalCare packages on a dedicated basis.

**Rolls-Royce Leasing Limited**  
**Strategic Report**  
**for the year ended 31 December 2020 (continued)**

**Section 172(1) Statement**

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, Section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the company.

To discharge their Section 172 duties the Directors had regard to the factors set out above in making the principal decisions taken by the Company.

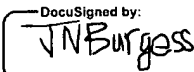
The Company's key stakeholders are its customers, suppliers and engine lessors worldwide. The Directors believe that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2020.

As the Company predominantly provides short-term lease solutions to support its immediate parent company, Rolls-Royce plc, in honouring its obligations under TotalCare Packages or on a Time and Materials basis, the Company regularly liaises with Rolls-Royce plc to ensure that the interests of Rolls-Royce plc are considered during decision making, both inside and outside the board room. The volume of engines within the lease pool has continued to grow for the Trent XWB in line with the increase in the volume of aircrafts in service and the number of customers opting for a TotalCare Agreement, and as a result, consultation with Rolls-Royce plc has become much more frequent. The impact of COVID has meant that we have reviewed the size of the pool in the legacy products and are working to reduce the number of engines through returning to lessors or selling to operators. In addition, the Company regularly engages with engine lessors to ensure their feedback is incorporated in decision making on modifications and extensions to agreements.

The Directors consider business relationships with the Company's wider stakeholders, the impact of Company operations on the environment and communities in which it operates is embedded in all Company decision-making and risk assessment made throughout the year. As a Rolls-Royce Holdings plc group company, the Company complies and acts in accordance with the Rolls-Royce Holdings plc policies in relation to the safeguarding of human rights and community relationships as outlined in the Rolls-Royce Holdings plc Annual Report (see note 19).

The Company adopts the policies and frameworks set by the Rolls-Royce Holdings plc group which include the sustainability measures set out in the Rolls-Royce Holdings plc Annual Report on pages 34 to 45. The Company is aligned to the objectives of the Rolls-Royce Holdings plc group. The Directors fully recognise their responsibility to have regard to the impact of the Company's operations on the community and environment.

Approved by the Board on 28 September 2021 and signed on its behalf by:

DocuSigned by:  
  
2D797E867F58468.....  
J N Burgess  
Director

## **Rolls-Royce Leasing Limited**

### **Directors' Report**

### **for the year ended 31 December 2020**

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

#### **Directors**

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

J N Burgess

L McConnellogue (appointed 11 August 2020)

#### **Results**

The profit for the year, after taxation, amounted to £14,218 thousand (2019: £5,998 thousand profit).

#### **Dividends**

During the year a dividend of £Nil was paid, (2019: £Nil). No final dividend is proposed (2019: £Nil).

#### **Future developments**

The Company expects that short term lease demand in the near term will remain suppressed until the flying hours of the Rolls-Royce powered fleet recover. In the short term the Company are working with the wider Rolls-Royce Holdings plc group to explore ways to best utilise the capacity in the owned lease pool or to return leased engines to owners to reduce that capacity. During 2021 the Company are going to right size the lease pool for the medium-term demand forecast.

#### **Financial risk management**

The details of the Company's financial risk management are set out in more detail in the Strategic Report on page 3.

#### **Going concern**

The financial statements have been prepared on a going concern basis. The directors consider that the Company will have sufficient financial resources to meet its obligations for the foreseeable future that is for at least 12 months from the date of approval of these financial statements.

Rolls-Royce plc, a parent undertaking, has provided written confirmation of its intention to continue to provide financial support, as necessary, for a period of at least 12 months from the date of signing these financial statements, to ensure the Company has adequate resources to maintain its operational existence and to meet its financial demands for the foreseeable future.

#### **COVID-19**

COVID has impacted the usage of engines in the lease pool, in particular the legacy engines as customer utilisation and flying hours continue to remain below 2019 levels. The airlines have been returning engines with their limited resource. This reduction in the demand for the lease pool means that we are reviewing the size of the pool to reduce the ongoing costs but has also impacted the revenue from TotalCare.

#### **Customers, Suppliers and Others Statement**

The Company aims to foster enduring relationships with its stakeholders as identified in the Section 172 Statement in the Strategic Report. The Company's activities affect a wide range of stakeholders and the Company engages with these stakeholders and listens to their differing inputs and priorities as an everyday part of its business model and uses the input and feedback to inform its decision-making process. Given the relationship with Rolls-Royce plc, as outlined in the Section 172 Statement in the Strategic Report, regular customer engagement meetings take place via the Directors' management roles in the Rolls-Royce Holdings plc group. Further information on how the Company interacts and the frequency of engagement with its immediate parent company, Rolls-Royce plc, is outlined in the Section 172 Statement in the Strategic Report. In addition to its customers and immediate parent company, the Company regularly engages with its suppliers, for example engagement with RRPf occurs through weekly meetings.



**Rolls-Royce Leasing Limited**  
**Directors' Report**  
**for the year ended 31 December 2020 (continued)**

**Corporate Governance arrangements**

Rolls-Royce plc is the Company's key stakeholder in the leasing model, the entities interact when Rolls-Royce plc requests the provision of a lease engine to support an obligation and the Company provides the solution. The costs of performing the activity are charged back to Rolls-Royce plc and the relevant contract which required the service.

The internal management of the Company and day-to-day management is managed through delegated authority to specific individuals within Rolls-Royce with key decisions being escalated to the Directors for review where deviation from the authorities are to be made – for example new lease arrangements. This ensures that the 'values, strategy and culture' align with the wider Rolls-Royce strategy and ensure appropriate governance oversight from the Directors when the Company operates on a daily basis. Delegated authorities are given in formal board meetings which occur on an ad hoc basis or via written resolution which similarly occur on an ad hoc basis. However, the Directors hold a – physical where possible – annual meeting to approve the financial statements for the year ended. During each board meeting and in every written resolution the Directors are asked to confirm whether they have any conflict of interest in the proposed matter and ahead of approving each matter the Directors review the impact of the decision against the Company and wider Rolls-Royce group to ensure it is in the best interest of the stakeholders as a whole. Directors and those with powers of attorney are not remunerated by the Company, with all remuneration paid by Rolls-Royce plc.

The Company adheres to the Rolls-Royce Holdings plc group Governance Framework which is available on the Rolls-Royce plc website under Board Governance. The Company's Directors are ultimately responsible for the Company's management, general affairs, direction, performance and the long-term success. The Board reflects the correct balance of skills required for effective decision making. The Directors experience bring together a combination of representation from an operational and financial background, the ability to understand the needs of the financial houses and valuable experience gained from all components of the leasing business model including independent overhaul facility environments. These skills ensure that effective communication occurs during all decision making and differing insights from departments allows the interests of all stakeholders to be taken into account along with the long-term success of the Company.

The Company Directors manage the business and assess risk regularly to ensure that the Company operates within the group Governance Framework. The Directors review risk at an operational level within the wider Civil Governance Framework. In addition to the operational risk reviews, Directors also review risks at board meetings. During the meetings presenters and stakeholders are invited to discuss various elements of risk including financial risk.

When considering opportunity and risk, given the relationship with Rolls-Royce plc, the formal risk meetings between Rolls-Royce plc and the Civil Business Unit occur as part of the Spare Engine Service business performance review which is part of the Civil management process. The Company's Directors are invited to the monthly meeting that the Service Delivery part of the Services Department hold. Therefore, this is additional oversight of risk provided by this committee.

The financial input into the Company's decision making occurs via the preparation of monthly management accounts which the Directors review from both an operational and company perspective. The financials provide the Directors with detail on the costs of certain leases, revenue, any overdue debts and end of lease turnaround time. This financial input ensures that principal risks and the impact of decisions against the long-term financial success of the Company and wider Rolls-Royce Holdings plc group are considered. To support and facilitate decision making, Directors receive training on all statutory and fiduciary duties, including the section 172 duty which is outlined in more detail in the Strategic Report. The Rolls-Royce Holdings plc group also has several policies which supports decision making, namely the Decision Rights which provide context and direction on how decisions should be made in line with the Rolls-Royce Holdings plc group strategy.

## **Rolls-Royce Leasing Limited**

### **Directors' Report for the year ended 31 December 2020 (continued)**

#### **Corporate Governance arrangements (continued)**

The Company has not applied the UK Corporate Governance Code as the Rolls-Royce Holdings plc introduced the Governance Framework which is applied by all Rolls-Royce Holdings plc group subsidiaries. The application of the Governance Framework contributes to the long-term success of the Company. Appropriate assurance and risk management forms a fundamental part of the structure. Equally, the structure also provides and facilitates upward flow of management information along with clear escalation routes for issues and decision-making. This aligns with the fundamental principle that decisions are taken at the lowest authorised level and are based on robust data.

The purpose of the entity is primarily to support the wider Rolls-Royce group and so the direction of the wider business leads the solutions that the Company provides. However, over the past year, the Company has been involved in the sale and disposal of assets in support of the Rolls-Royce group's reduction in demand for lease engines in legacy programmes. As a result, the number of written resolutions required has increased in frequency – however still occur on an ad hoc basis.

#### **Streamlined Energy & Carbon Reporting (SECR)**

The Company is a subsidiary of the Rolls-Royce Holdings plc group and therefore the SECR disclosures required in relation to both Rolls-Royce Holdings plc and the Company have been included in the Rolls-Royce Holdings plc Annual Report on pages 38 to 39. The Rolls-Royce Holdings plc Annual Report has been prepared for the same financial year as the Company.

#### **Post balance sheet events**

After the balance sheet date, due to continued pressure on global airline activity a number of engines have been returned from airline customers that were on short and long term leasing arrangements. The Company intends to utilise the long term lease engines in the short term lease pool to support wider ongoing obligations of TotalCare Agreements. Future rentals are anticipated to be lower by £14,000 thousand as a result, which is expected to be offset by alternative income via utilisation in the short term pool.

#### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### **Qualifying third party indemnity provisions**

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of approval of this report.

#### **Directors' confirmations**

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.

## **Rolls-Royce Leasing Limited**

### **Directors' Report for the year ended 31 December 2020 (continued)**

#### **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.

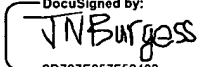
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, 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 Company will continue in business.

The Directors are also responsible for safeguarding the assets of the 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Approved by the Board on 28 September 2021. and signed on its behalf by:

DocuSigned by:  
  
.....2D792E657F5848B.....  
J N Burgess  
Director

## **Rolls-Royce Leasing Limited**

### **Independent Auditors' Report to the members of Rolls-Royce Leasing Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Rolls-Royce Leasing Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Income Statement, the Statement of Comprehensive Income and the Statement 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 company 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**

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Testing the reasonableness of the model and assessing the assumptions used in management's going concern assessment which covers the period to December 2022.
- Management's base case forecasts are based on its normal budget and forecasting process. We understood and assessed this process, including the assumptions used, for 2021 and 2022 and assessed whether there was adequate support for these assumptions. We also considered the reasonableness of the monthly phasing of cash flows.
- The Company is reliant on its parent company for ongoing support, including not seeking repayment of existing intercompany loans and to repay any amounts deposited by the Company as part of the parent company's cash pool sweeping arrangements. We have assessed the ability and understood the intent of the parent to provide support for the foreseeable future, being a period of at least twelve months from the date of approval of the financial statements.
- We assessed the adequacy of disclosures in the Going Concern statement within the Directors' report and the statements in note 2 of the Annual Report and found these appropriately reflect the key areas of uncertainty identified.

## **Rolls-Royce Leasing Limited**

### **Independent Auditors' Report to the members of Rolls-Royce Leasing Limited (continued)**

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 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 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 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 company and its 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.

## **Rolls-Royce Leasing Limited**

### **Independent Auditors' Report to the members of Rolls-Royce Leasing Limited (continued)**

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 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 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 company and industry, we identified that the principal risks of non-compliance with laws and regulations related to applicable Generally Accepted Accounting Practices and tax compliance legislation, 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 posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- enquiry of management and those charged with governance around actual and potential litigation and claims;
- enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- reviewing minutes of meetings of those charged with governance;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business.

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.

## **Rolls-Royce Leasing Limited**

### **Independent Auditors' Report to the members of Rolls-Royce Leasing Limited (continued)**

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](http://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 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  
28 September 2021

**Rolls-Royce Leasing Limited**

**Income Statement**  
**for the year ended 31 December 2020**

	<b>Note</b>	<b>2020 £ 000</b>	<b>2019 £ 000</b>
Revenue	3	479,189	476,249
Cost of sales		<u>(401,924)</u>	<u>(429,727)</u>
<b>Gross profit</b>		77,265	46,522
Administrative expenses		<u>(14,838)</u>	<u>(11,339)</u>
<b>Operating profit</b>	4	62,427	35,183
Finance income	5	-	33,082
Finance costs	6	<u>(58,512)</u>	<u>(63,834)</u>
<b>Profit before taxation</b>		3,915	4,431
Tax on profit	8	<u>10,303</u>	<u>1,567</u>
<b>Profit for the financial year</b>		<u><u>14,218</u></u>	<u><u>5,998</u></u>

The notes on pages 18 to 32 form an integral part of these financial statements.



**Rolls-Royce Leasing Limited**  
**Statement of Comprehensive Income**  
**for the year ended 31 December 2020**

	<b>2020</b> <b>£ 000</b>	<b>2019</b> <b>£ 000</b>
Profit for the year	<u>14,218</u>	<u>5,998</u>
<b>Total comprehensive income for the year</b>	<u><b>14,218</b></u>	<u><b>5,998</b></u>

The notes on pages 18 to 32 form an integral part of these financial statements.

**Rolls-Royce Leasing Limited**  
**(Registration number: 00329435)**  
**Balance Sheet**  
**as at 31 December 2020**

	Note	2020 £ 000	2019 £ 000
<b>Non-current assets</b>			
Right-of-use assets	9	1,279,692	1,406,704
Property, plant and equipment	10	<u>574,911</u>	<u>441,326</u>
		1,854,603	1,848,030
<b>Current assets</b>			
Inventories	11	215,350	67,396
Trade and other receivables	12, 14	<u>280,443</u>	<u>367,280</u>
		495,793	434,676
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	13	(888,668)	(635,831)
Lease liabilities	16	(176,226)	(244,341)
Total current liabilities		<u>(1,064,894)</u>	<u>(880,172)</u>
<b>Net current liabilities</b>		<u>(569,101)</u>	<u>(445,496)</u>
Total assets less current liabilities		<u>1,285,502</u>	<u>1,402,534</u>
<b>Creditors: amounts falling due after more than one year</b>			
Lease liabilities	16	<u>(1,250,522)</u>	<u>(1,381,772)</u>
<b>Net assets</b>		<u>34,980</u>	<u>20,762</u>
<b>Equity</b>			
Called up share capital	15	100	100
Capital redemption reserve		1,200	1,200
Retained earnings		<u>33,680</u>	<u>19,462</u>
<b>Total equity</b>		<u>34,980</u>	<u>20,762</u>

The financial statements on page 14 to 32 were approved and authorised for issue by the Directors on 28 September 2021 and signed on its behalf by:

DocuSigned by:  
  
 307976867F58488.....

J N Burgess  
 Director

The notes on pages 18 to 32 form an integral part of these financial statements.

# Rolls-Royce Leasing Limited

## Statement of Changes in Equity for the year ended 31 December 2020

	Called up share capital £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	100	1,200	19,462	20,762
Total comprehensive income	-	-	14,218	14,218
At 31 December 2020	100	1,200	33,680	34,980

	Called up share capital £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	100	1,200	13,464	14,764
Total comprehensive income	-	-	5,998	5,998
At 31 December 2019	100	1,200	19,462	20,762

On 24 May 1999, the Company redeemed the whole of its 8.5% redeemable, non-cumulative non-participating preference shares at par (£1,200 thousand). The transaction gave rise to the Capital redemption reserve which has been maintained at £1,200 thousand since this date.

The notes on pages 18 to 32 form an integral part of these financial statements.

## **Rolls-Royce Leasing Limited**

### **Notes to the Financial Statements for the year ended 31 December 2020**

#### **1 General information**

The Company is incorporated and domiciled in the United Kingdom. The address of the registered office is Moor Lane, Derby, Derbyshire, England, DE24 8BJ. The Company is a private company limited by shares.

The principal activity of the Company is the provision of short-term lease solutions to support Rolls-Royce plc in honouring its obligations under TotalCare Packages or on a Time and Material basis. The volume of engines within the lease pool has continued to grow in line with the increase in the volume of aircraft in service and the number of customers opting for a TotalCare Agreement.

#### **2 Significant accounting policies**

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

##### **Basis of preparation**

These financial statements have been prepared under the historical cost convention in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 7 Financial Instruments: Disclosures;
- Paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- Paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 *Property, Plant and Equipment* and paragraph 118(e) of IAS 38 *Intangible Assets*;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*;
- IAS 7 *Statement of Cash Flows*;
- the requirements of paragraphs 17 and 18A of IAS 24 *Related Party Disclosures*;
- the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*;
- new standards, amendments and IFRS interpretations; and
- the effect of new but not yet effective IFRSs.

Where required, equivalent disclosures are given in the consolidated financial statements of Rolls-Royce Holdings plc.

## **Rolls-Royce Leasing Limited**

### **Notes to the Financial Statements for the year ended 31 December 2020 (continued)**

#### **2 Significant accounting policies (continued)**

##### **New standards, amendments and IFRIC interpretations**

No new standards and interpretations issued by the IASB had a financial impact on the 2020 financial statements.

##### **Critical accounting judgements and key sources of estimation uncertainty**

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 amount of assets and liabilities are addressed below.

##### **Critical accounting estimates and judgements**

###### *Return conditions within ROU assets/lease liabilities*

Engine leases often include clauses that require the engines to be returned to the lessor with specific levels of useable life remaining or cash payments to the lessor. The costs of meeting these requirements are included in the lease payments. The amounts payable are calculated based upon an estimate of the utilisation of the engines over the lease term, whether the engine is restored to the required condition by performing an overhaul at our own cost or through the payments of amounts specified in the contract and any new contractual arrangements arising when the current lease contract ends. At 31 December 2020, the lease liability included £347,000 thousand (2019: £353,000 thousand) relating to the cost of meeting these residual value guarantees, with up to £19,000 thousand in 2021 and £133,000 thousand due over the following four years (2019: £79,000 thousand in 2020 and £66,000 thousand due over the following four years. Where estimates of payments change, an adjustment is made to the lease liability and the right-of-use asset.

##### **Going concern**

The financial statements have been prepared on a going concern basis. In the directors judgement they consider that the Company will have sufficient financial resources to meet its obligations for the foreseeable future that is for at least 12 months from the date of approval of these financial statements.

Rolls-Royce plc, a parent undertaking, has provided written confirmation of its intention to continue to provide financial support, as necessary, for a period of at least 12 months from the date of signing these financial statements, to ensure the Company has adequate resources to maintain its operational existence and to meet its financial demands for the foreseeable future.

##### **Post balance sheet events**

After the balance sheet date, due to continued pressure on global airline activity a number of engines have been returned from airline customers that were on short and long term leasing arrangements. The Company intends to utilise the long term lease engines in the short term lease pool to support wider ongoing obligations of TotalCare Agreements. Future rentals are anticipated to be lower by £14,000 thousand as a result, which is expected to be offset by alternative income via utilisation in the short term pool.

## **Rolls-Royce Leasing Limited**

### **Notes to the Financial Statements for the year ended 31 December 2020 (continued)**

#### **2 Significant accounting policies (continued)**

##### **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the year end. Exchange differences arising on foreign exchange transactions and the retranslation of assets and liabilities into sterling at the rate ruling at the year end are taken into account in determining profit before taxation.

##### **Financial assets and liabilities**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

##### **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**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the usage of the engines by the lessee in combination of the number of days, flight hours and flight cycles used depending on the contract, stated net of discounts and value added taxes. The Company recognises revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the Company.

Intercompany trading with Rolls-Royce plc does not attract any margin, all costs associated with this trade are recovered from Rolls-Royce plc. Revenue to external customers attracts a 3% margin on profit before tax at the prevailing foreign exchange rates.

The Company invoices its customers on a monthly basis with payments due on industry standard terms.

##### **Inventories**

Inventories and work in progress are valued at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads, including depreciation of property, plant and equipment, that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling prices less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

##### **Trade receivables**

Trade receivables are amounts due from customers for leases in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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. In addition to the IFRS 9 ECL model on specific debts, a provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables

## **Rolls-Royce Leasing Limited**

### **Notes to the Financial Statements for the year ended 31 December 2020 (continued)**

#### **2 Significant accounting policies (continued)**

##### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, 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.

##### **Impairment of non-financial assets**

Impairment of non-current assets is considered in accordance with IAS 36 *Impairment of Assets*. Where the asset does not generate cash flows that are independent of other assets, impairment is considered for the cash-generating unit to which the asset belongs. Intangible assets that are not yet available for use are tested for impairment annually. Other intangible assets and property, plant and equipment are assessed for any indications of impairment annually. If any indication of impairment is identified, an impairment test is performed to estimate the recoverable amount.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be below the carrying value, the carrying value is reduced to the recoverable amount and the impairment loss recognised as an expense. The recoverable amount is the higher of value in use or fair value less costs to sell, if this is readily available. The value in use is the present value of future cash flows using a pre-tax discount rate that reflects the time value of money and the risk specific to the asset.

##### **Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; and arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised, based on management's assumptions relating to the quantum of future taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## Rolls-Royce Leasing Limited

### Notes to the Financial Statements for the year ended 31 December 2020 (continued)

#### 2 Significant accounting policies (continued)

##### Property, plant and equipment - engines and stands

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairments in value. Depreciation is provided on a straight-line basis to write off the cost, less estimated residual value over their estimated useful lives. Engines and stands are depreciated over a period of between 10 - 20 years.

The assets' residual values and useful economic lives are reviewed and adjusted if appropriate at the end of each reporting period. The carrying amount of an asset is written down immediately to its recoverable amount if its estimated recoverable amount falls below its carrying value.

##### Engines classified as inventory

The Company purchases engines to satisfy long-term leases to Airlines with the intention of selling the long-term lease and engine to a third party. Where an intention exists to sell the lease and engine within 12 months of the acquisition the engine is held in inventory and not property, plant and equipment until such time as the sale occurs. As at 31 December 2020, 37 engines at a total value of £210,022 thousand (10 engines at a total value of £42,722 thousand at 31 December 2019) were held in inventory.

##### Leases

###### i) As Lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for termination of the lease, if the lease term reflects the Company exercising that option.

Where leases commence after the initial transaction date, the lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Lease liabilities are revalued at each reporting date using the spot exchange rate.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability or a revaluation of the liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Each right-of-use asset is depreciated over the shorter of its useful economic life and the lease term on a straight-line basis unless the lease is expected to transfer ownership of the underlying asset to the Company, in which case the asset is depreciated to the end of the useful life of the asset.

Payments associated with the short-term leases are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

###### ii) As Lessor

Rentals receivable under leases are included in revenue on an accruals basis.



**Rolls-Royce Leasing Limited**

**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**3 Revenue**

The analysis of the revenue by geography is as follows:

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
United Kingdom	322,447	331,467
European Union	44,367	64,903
Rest of World	112,375	79,879
	<u>479,189</u>	<u>476,249</u>
	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Internal revenue	310,471	328,311
External revenue	168,718	147,938
	<u>479,189</u>	<u>476,249</u>

**4 Operating (loss)/profit**

Arrived at after charging/(crediting)

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Depreciation of property, plant and equipment:		
- Depreciation expense	35,070	29,737
- Depreciation of ROU assets	256,168	292,037
Lease expense - engines	9,998	9,617
Impairment of accounts receivable	3,623	5,448
Impairment of inventory	-	(5,196)
Adjustment to residual value guarantees	<u>(102,370)</u>	<u>-</u>

The fees for the audit of the Company financial statements were £75 thousand (2019: £75 thousand) and were paid by Rolls-Royce plc and not recharged to the Company. No other services are received from the auditors apart from the annual audit.

Where the cost of meeting residual value guarantees is less than that previously estimated, as costs have been mitigated or waived by the lessor, the lease liability has been remeasured with an adjustment to the right-of-use asset. Where the right-of-use asset is reduced to zero any further remeasurement is credited to cost of sales

## Rolls-Royce Leasing Limited

### Notes to the Financial Statements for the year ended 31 December 2020 (continued)

#### 5 Finance income

	2020 £ 000	2019 £ 000
Foreign exchange gain	-	33,082

#### 6 Finance costs

	2020 £ 000	2019 £ 000
Interest on lease arrangements	50,034	63,834
Foreign exchange loss	8,478	-
	<u>58,512</u>	<u>63,834</u>

#### 7 Staff costs and Directors' remuneration

The Company had no employees in either the current or prior years and the Directors did not receive any fees or emoluments from the Company directly attributable to their services to the Company. All Directors' fees or emoluments were paid by Rolls-Royce plc and the amount attributable to the qualifying services provided by the Directors to the Company cannot be reliably estimated. No recharge has been made in the current or prior years for the services of the Directors. Employee costs of £Nil (2019: £Nil) relating to operating the Company were recharged from Rolls-Royce plc to the Company.

#### 8 Tax on profit

Tax credited in the income statement:

	2020 £ 000	2019 £ 000
<b>Current tax</b>		
Group relief payable at 19.00% (2019: 19.00%)	1,966	14,651
Adjustments in respect of prior periods	-	(4,342)
Total current income tax	<u>1,966</u>	<u>10,309</u>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	(784)	(11,876)
Adjustments in respect of prior periods	(11,269)	-
Adjustments in respect of reduction in tax rate	(216)	-
Total deferred taxation	<u>(12,269)</u>	<u>(11,876)</u>
<b>Tax credit in the income statement</b>	<u>(10,303)</u>	<u>(1,567)</u>

## Rolls-Royce Leasing Limited

### Notes to the Financial Statements for the year ended 31 December 2020 (continued)

#### 8 Tax on profit (continued)

##### Factors affecting tax credit for current year

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

The differences are explained below:

	2020	2019
	£ 000	£ 000
<b>Profit before tax</b>	<u>3,915</u>	<u>4,431</u>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19.00% (2019: 19%)	744	842
Adjustments in respect of prior periods	(11,269)	(4,342)
Adjustments in respect of reduction in tax rate	(216)	-
Expenses not deductible	438	536
Tax rate differential on timing differences	<u>-</u>	<u>1,397</u>
<b>Total tax credit</b>	<u>(10,303)</u>	<u>(1,567)</u>

##### Factors that may affect future tax charges

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 asset was 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 asset has been re-measured at 19%. The resulting credit has been recognised in the income statement. Accordingly, in 2020, £216k has been credited to the income statement.

The Spring 2021 Budget further announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The deferred tax asset 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 asset by £4,455k.

# Rolls-Royce Leasing Limited

## Notes to the Financial Statements for the year ended 31 December 2020 (continued)

### 9 Right-of-use assets

	<b>Engines and Stands £ 000</b>
<b>Cost</b>	
At 1 January 2020	1,689,595
Additions	129,156
Disposals	(61,341)
	<hr/>
At 31 December 2020	1,757,410
<b>Accumulated depreciation</b>	
At 1 January 2020	282,891
Depreciation charge	256,168
Disposals	(61,341)
	<hr/>
At 31 December 2020	477,718
<b>Carrying amount</b>	
At 31 December 2020	<hr/> 1,279,692 <hr/>
At 31 December 2019	<hr/> 1,406,704 <hr/>

**Rolls-Royce Leasing Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**10 Property, plant and equipment**

	<b>Engines and Stands £ 000</b>
<b>Cost</b>	
At 1 January 2020	549,506
Additions	178,372
Disposals	<u>(9,958)</u>
At 31 December 2020	<u>717,920</u>
<b>Accumulated depreciation</b>	
At 1 January 2020	108,180
Depreciation charge	35,070
Disposals	<u>(241)</u>
At 31 December 2020	<u>143,009</u>
<b>Carrying amount</b>	
At 31 December 2020	<u>574,911</u>
At 31 December 2019	<u>441,326</u>

All non-current assets are currently in use.

The gross carrying value of fully depreciated assets still in use by the Company is £34,353 thousand (2019: £17,378 thousand).

There are no non-current assets retired from active use or held for sale as at 31 December 2020. (£Nil at 31 December 2019).

**11 Inventories**

	<b>2020 £ 000</b>	<b>2019 £ 000</b>
Finished goods	<u>215,350</u>	<u>67,396</u>

Finished goods comprise engines and spare parts as at 31 December 2020 and 31 December 2019. Engines classified as inventory are expected to be realised through external sales.

## Rolls-Royce Leasing Limited

### Notes to the Financial Statements for the year ended 31 December 2020 (continued)

#### 12 Trade and other receivables

	2020 £ 000	2019 £ 000
Trade receivables	53,686	24,258
Amounts due from group undertakings	95,372	207,008
Accrued income	117,274	134,169
Deferred tax asset	14,107	1,838
VAT receivable	4	7
	<u>280,443</u>	<u>367,280</u>
Trade and other receivables	<u>280,443</u>	<u>367,280</u>

£117,274 thousand (2019: £133,307 thousand) of the accrued income balance is expected to be received from fellow group companies with £Nil (2019: £862 thousand) expected to be recovered from third parties. The movement in accrued income mostly relates to standard trading fluctuations due to movement of foreign currency rates on the balances between Rolls-Royce PLC and Rolls-Royce Leasing Limited.

Amounts due from group undertakings are trading balances under normal commercial terms and interest is not charged. These undertakings are unsecured and payable on demand. A provision for doubtful debts is included in trade receivables of £20,888 thousand (2019: £17,265 thousand).

#### 13 Creditors: amounts falling due within one year

	2020 £ 000	2019 £ 000
Trade payables	9,152	2,205
Accruals and deferred income	-	13,754
Amounts due to group undertakings	<u>879,516</u>	<u>619,872</u>
	<u>888,668</u>	<u>635,831</u>

#### Amounts owed to group undertakings

Amounts due to group undertakings are trading balances under normal commercial terms and interest is not charged. These undertakings are unsecured and repayable on demand.

# Rolls-Royce Leasing Limited

## Notes to the Financial Statements for the year ended 31 December 2020 (continued)

### 14 Deferred tax

#### Deferred tax asset movement during the year:

	At 1 January 2020 £ 000	Recognised in income statement £ 000	At 31 December 2020 £ 000
Accelerated tax depreciation	1,838	12,269	14,107

#### Deferred tax movement during the prior year:

	At 1 January 2019 £ 000	Recognised in income statement £ 000	At 31 December 2019 £ 000
Accelerated tax depreciation	(10,038)	11,876	1,838

### 15 Called up share capital

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	100	100	100	100

The issued share capital is the same as the authorised share capital.

Called up share capital represents the principal investment from the parent company.

## Rolls-Royce Leasing Limited

### Notes to the Financial Statements for the year ended 31 December 2020 (continued)

#### 16 Leases

The Company has leases for Engines and stands used in their operations. The amounts recognised in the financial statements in relation to the leases are as follows:

##### Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2020 £ 000	31 December 2019 £ 000
<b>Right of use assets</b>		
Engines and stands	1,279,692	1,406,704
	<u>1,279,692</u>	<u>1,406,704</u>
<b>Lease liabilities</b>		
Current liabilities	176,226	244,341
Non-current liabilities	1,250,522	1,381,772
	<u>1,426,748</u>	<u>1,626,113</u>

##### Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2020 £ 000	2019 £ 000
Depreciation of right of use assets	256,168	292,037
Interest expense (included in finance cost)	50,034	63,834

Future minimum lease payments on leases as at 31 December:

	2020 £ 000	2019 £ 000
Not later than one year	215,912	307,115
Later than one year and not latest than five years	772,774	821,174
Later than five years	627,944	740,450
Total gross payments	<u>1,616,630</u>	<u>1,868,739</u>
Impact of finance expenses	(189,882)	(242,626)
Carrying value of liability	<u>1,426,748</u>	<u>1,626,113</u>
Of which: Current Liabilities	176,226	244,341
Non-current liabilities	1,250,522	1,381,772



**Rolls-Royce Leasing Limited**

**Notes to the Financial Statements**

**for the year ended 31 December 2020 (continued)**

**16 Leases (continued)**

**Leases as lessor**

Lease arrangements are receivable as follows:

	<b>2020</b> <b>£ 000</b>	<b>2019</b> <b>£ 000</b>
Non-cancellable operating lease rentals are receivable as follows:		
Within one year	11,642	12,210
In two to five years	32,751	37,196
In over five years	20,411	16,464
	<u>64,804</u>	<u>65,870</u>

In addition, the Company has an arrangement with Rolls-Royce plc in which it provides engines on a demand basis, but generally not in excess of one year, to satisfy Rolls-Royce plc's obligations. Income generated from this activity in 2020 was £289,000 thousand (2019: £328,000 thousand).

**17 Contingent liabilities**

In January 2017, after full cooperation, the Rolls-Royce Holdings plc Group ('the Group') concluded deferred prosecution agreements (DPA) with the SFO and the US Department of Justice (DoJ) and a leniency agreement with the MPF, the Brazilian federal prosecutors. Following the expiry of its term the DPA with the DoJ was dismissed by the US District Court on 19 May 2020. Certain authorities are investigating members of the Group for matters relating to misconduct in relation to historical matters. The Group is responding appropriately. Action may be taken by further authorities against the Group or individuals. In addition, the Group could still be affected by actions from customers and customers' financiers. The Directors are not currently aware of any matters that are likely to lead to a material financial loss over and above the penalties imposed to date, but cannot anticipate all the possible actions that may be taken or their potential consequences.

**Rolls-Royce Leasing Limited**

**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**18 Related party transactions****Purchases from joint ventures of the Rolls Royce Group**

	<b>Joint ventures £ 000</b>
<b>2020</b>	
Purchase of goods	207,531
Amounts payable at 31 December 2020	-
<b>2019</b>	
Purchase of goods	207,494
Amounts payable at 31 December 2019	(442)

**Sales to joint ventures of the Rolls Royce Group**

	<b>Joint ventures £ 000</b>
<b>2020</b>	
Sale of goods	4,543
Amounts receivable at 31 December 2020	-
<b>2019</b>	
Sale of goods	2,348
Amounts receivable at 31 December 2019	647

The Company has taken advantage of the exemption in IAS 24 Related Party Disclosures not to disclose related party transactions with wholly owned subsidiaries of Rolls-Royce Holdings plc group.

**19 Parent and ultimate parent undertaking**

The Company's immediate parent undertaking is Rolls-Royce plc.

The ultimate parent undertaking and controlling party is Rolls-Royce Holdings plc, which is the parent undertaking of the largest group to consolidate these financial statements. Rolls-Royce plc is the parent undertaking of the smallest group to consolidate these financial statements.

The consolidated financial statements of these groups are available to the public and may be obtained from Kings Place, 90 York Way, London, United Kingdom, N1 9FX.