Registration number: 00329435

Rolls-Royce Leasing Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2023

Rolls-Royce Leasing Limited
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Rolls-Royce Leasing Limited
Company Information

Directors	Jonathan Burgess Simon Smith
Secretary	Nicola Carroll
Registered number	00329435
Registered office	Moor Lane Derby Derbyshire DE24 8BJ
Independent auditors	PricewaterhouseCoopers LLP 1 Chamberlain Square Birmingham B3 3AX

Rolls-Royce Leasing Limited

Strategic Report

for the year ended 31 December 2023

The Directors present their Strategic Report on Rolls-Royce Leasing Limited (the Company), together with the Directors' Report and audited Financial Statements for the year ended 31 December 2023.

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 leases that have been supported during the year has continued to grow as the number of aircraft flying recovers. There are ongoing activities to ensure that the lease pool is correctly sized, in particular looking at the number of engines that are held in the legacy fleets and where they could be sold, returned to parts or scrapped.

Business review

The financial position and results of the Company at 31 December 2023 is shown in the Balance Sheet on page 14 the Statement of Changes in Equity on page 15 and the Income Statement on page 13.

The net assets of the Company at 31 December 2023 were £47,553,000 (2022: £46,221,000). The increase in net assets is primarily as a result of the profit generated in the year of £1,332,000. The value of inventories has reduced as engines have been returned to RR plc, and there has been a reduction in the non-current assets due to asset depreciation and a lower deferred tax asset, but this is more than offset by lower creditor amounts due to Group undertakings and lower lease liabilities. There has been a significant reversal of impairment of accounts receivable in the year as a result of the parent company, Rolls-Royce plc, settling a number of disputes with customers.

External revenue increased from 2022 as the volume of leased engines increased as the aviation industry recovered, resulting in the demand for lease engines increasing. Internal revenue reduced significantly during the year driven by the recharge of costs to group undertakings. Cost recharges reduced in 2023 compared to 2022 due to fluctuations in the GBP:USD foreign exchange rate causing a foreign exchange gain of £153,801,000 compared to a loss of £(226,986,000) in 2022. The impact of foreign exchange fluctuations directly impacts the cost recharges made to Rolls-Royce plc. The volume of trading with internal companies has remained broadly stable.

Key performance indicators

Non-financial KPIs

	2023	**2022**
Turn round time post engine redelivery	74 days	293 days

The 12-month standard redelivery was 74 days for 2023, a decrease from 2022 due to several long engine redelivery periods that were closed in 2022. Operations returned to normal levels in 2023 but further reductions in this metric are expected during 2024.

Rolls-Royce Leasing Limited

Strategic Report
for the year ended 31 December 2023 (continued)

Results

	2023 £ 000	2022 £ 000
Internal Revenue	178,252	571,330
External Revenue	100,681	82,410
	278,933	653,740

Balance Sheet

	2023 £ 000	2022 £ 000
Net assets	47,553	46,221

Principal risks and uncertainties
The Rolls-Royce Holdings plc group (the Group) has an established and structured approach to risk management which is detailed in the Rolls-Royce Holdings plc Annual Report, which is publicly available from the address in note 19. The Company acts in accordance with this policy to manage and mitigate the risks.

The key risks within the Company are the management of the size of the lease pool to meet the varying customer demand, to continually manage the older fleet to extract the value of engines as the fleet sizes reduce and to ensure that adequate commercial protections are in place when engines are leased to operators. The risks are managed through ongoing reviews with Rolls-Royce plc and enacting short term leases from the wider market to increase the volume of engines in the lease pool to support any peaks in demand. During 2023 the standard documentation that the Company uses to lease engines to operators has been fully reviewed and amendments made to align to latest market standard practise in engine leasing.

Section 172(1) statement
Section 172 of the Companies Act 2006 requires directors 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 directors 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.

Rolls-Royce Leasing Limited
Strategic Report
for the year ended 31 December 2023 (continued)

Section 172(1) statement (continued)
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 2023.

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, by both management and the Directors. 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 Group company, the Company complies and acts in accordance with the Group policies in relation to the safeguarding of human rights and community relationships as outlined in the Rolls-Royce Holdings plc Annual Report.

Climate-related corporate reporting
The Company adopts the policies and frameworks set by the Group which include the sustainability measures set out in the Rolls-Royce Holdings plc 2023 Annual Report on pages 32 to 43. The Company is aligned to the objectives of the Group. The Directors fully recognise their responsibility to have regard to the impact of the Company's operations on the community and environment.

Streamlined Energy & Carbon Reporting (SECR)
The Company is a subsidiary of the 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 page 210. The Rolls-Royce Holdings plc Annual Report has been prepared for the same financial year as the Company.

Approved by the Board on 12 June 2024 and signed on its behalf by:

DocuSigned by:
Jonathan Burgess
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Jonathan Burgess
Director

Rolls-Royce Leasing Limited
Directors' Report
for the year ended 31 December 2023

The Directors present their Directors' Report on the Company, together with the Strategic Report and audited Financial Statements for the year ended 31 December 2023.

Directors
The Directors who held office during the year and up to the date of signing of the Annual Report and Financial Statements were as follows:

Jonathan Burgess

Simon Smith

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

Results and dividends
The profit for the year, after taxation, amounted to £1,332,000 (2022: £2,447,000).

During the year no dividend was paid (2022: £Nil). No final dividend is proposed (2022: £Nil).

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 actions to be taken in relation to new sanctions. 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 an annual meeting to approve the Annual Report and 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 Group governance arrangements, more information can be found in the Rolls-Royce Holdings plc Annual Report on pages 64 to 112. The Directors are ultimately responsible for the Company's management, general affairs, direction, performance and the long-term success. The Board contains an appropriate 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.

Corporate governance arrangements (continued)

The Directors manage the business and assess risk regularly to ensure that the Company operates within the Framework. The Directors review risk at an operational level within the wider Civil Aerospace Business Unit 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 Aerospace Business Unit occur as part of the Spare Engine Service business performance review which is part of the Civil Business Unit management process. The 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 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 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 Group strategy.

The Company has not applied the UK Corporate Governance Code as Rolls-Royce Holdings plc introduced The Framework which is applied by all Group subsidiaries. The application of The 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.

Future developments

The Company expects that as aviation recovers the short-term lease demand will grow in line with the recovery of flying hours of the Rolls-Royce powered fleet and shop visit demand increases. The Company continues working with the wider Group to utilise the capacity in the owned lease pool or to return leased engines to owners to reduce that capacity.

Financial risk management

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

Financial risk management (continued)

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. Due to the trading relationship with Rolls-Royce plc the Company 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.

Asset risk

The use of assets on a global basis exposes the Company to risk of loss or seizure which is managed through contractual terms and registration of the assets with appropriate authorities.

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 which is backed by a letter of support. Therefore, 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 USD and therefore the Company is exposed to foreign exchange fluctuations. However, this risk is mitigated by the 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 Group, so the overall foreign exchange risk to the Company is considered to be low.

Going concern

The Financial Statements have been prepared on a going concern basis. The Directors have prepared a forecast for a period of 24 months and 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.

Engagement with suppliers, customers, and others

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 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 Rolls-Royce Partners Finance occurs through weekly meetings.

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.

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, 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 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 also 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.

The directors are responsible for the maintenance and integrity of the company’s financial statements published on the ultimate parent company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

Approved by the Board on 12 June 2024 and signed on its behalf by:

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Jonathan Burgess
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Jonathan Burgess
Director

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 2023 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, including 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 2023; the Income Statement and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

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 2025.

- Management's base case forecasts are based on its normal budget and forecasting process. We understood and assessed this process, including the key assumptions used for 2024 and 2025 and assessed whether there was adequate support for these assumption.
- 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.

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 2023 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. 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 UK tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 account 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 legal 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.

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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Richard Kay (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
12 June 2024

Rolls-Royce Leasing Limited

Income Statement
for the year ended 31 December 2023

	Note	2023 £ 000	2022 £ 000
Revenue	3	278,933	653,740
Cost of sales		(402,849)	(369,099)
Gross (loss)/profit		(123,916)	284,641
Administrative expenses		31,299	(12,075)
Operating (loss)/profit	4	(92,617)	272,566
Finance income/(costs)	5	95,635	(270,094)
Profit before taxation		3,018	2,472
Tax on profit	7	(1,686)	(25)
Profit for the financial year		1,332	2,447

There was no other comprehensive income for the year ended 31 December 2023 (2022: Nil).

Results for the year were derived from continuing operations.

The notes on pages 16 to 30 form an integral part of these Financial Statements.

Rolls-Royce Leasing Limited

Balance Sheet
as at 31 December 2023
(Registration number: 00329435)

	Note	2023 £ 000	2022 £ 000
Non-current assets			
Right-of-use assets	8	746,775	875,166
Property, plant and equipment	9	442,315	484,790
Trade and other receivables	11	-	17,373
Deferred tax asset	13	23,443	46,013
		1,212,533	1,423,342
Current assets			
Inventories	10	286,251	321,453
Trade and other receivables	11	214,741	290,326
		500,992	611,779
Current liabilities			
Creditors: amounts falling due within one year	12	(599,787)	(746,849)
Provisions for liabilities	14	(5,874)	(5,572)
Lease liabilities	15	(179,313)	(203,134)
Total current liabilities		(784,974)	(955,555)
Net current liabilities		(283,982)	(343,776)
Total assets less current liabilities		928,551	1,079,566
Creditors: amounts falling due after more than one year			
Lease liabilities	15	(880,998)	(1,033,345)
Net assets		47,553	46,221
Equity			
Called up share capital	16	100	100
Capital redemption reserve		1,200	1,200
Retained earnings		46,253	44,921
Total equity		47,553	46,221

The Financial Statements on pages 13 to 30 were approved and authorised for issue by the Directors on 12 June 2024 and signed on its behalf by:

DocuSigned by:
Jonathan Burgess
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Jonathan Burgess
Director

The notes on pages 16 to 30 form an integral part of these Financial Statements.

Rolls-Royce Leasing Limited

Statement of Changes in Equity
for the year ended 31 December 2023

	Called up share capital £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total Equity £ 000
At 1 January 2023	100	1,200	44,921	46,221
Profit for the year being total comprehensive income	-	-	1,332	1,332
At 31 December 2023	100	1,200	46,253	47,553

	Called up share capital £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total Equity £ 000
At 1 January 2022	100	1,200	42,474	43,774
Profit for the year being total comprehensive income	-	-	2,447	2,447
At 31 December 2022	100	1,200	44,921	46,221

On 24 May 1999, the Company redeemed the whole of its 8.5% redeemable, non-cumulative non-participating preference shares at par (£1,200,000). The transaction gave rise to the Capital redemption reserve which has been maintained at £1,200,000 since this date.

The notes on pages 16 to 30 form an integral part of these Financial Statements.

Rolls-Royce Leasing Limited
Notes to the Financial Statements
for the year ended 31 December 2023

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 leases that are being enacted 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; 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.

New standards, amendments and IFRIC interpretations

No new standards and interpretations issued by the IASB had a material financial impact on the 2023 Financial Statements.

2 Significant accounting policies (continued)

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.

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.

Key sources of estimation uncertainty: return conditions within ROU assets/lease liabilities

Engine leases often include residual value guarantee 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 determination of the total lease liability. 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 other contractual arrangements arising when the current lease contract ends. At 31 December 2023, the lease liability included £340,000,000 (2022: £373,000,000) relating to the cost of meeting these residual value guarantees, with up to £64,000,000 in 2024 and £184,000,000 due over the following four years (2022: £53,000,000 in 2023 and £175,000,000 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.

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 is 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.

Critical accounting judgement: 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, or the engine is expected to be used in the business for no more than 12 months from acquisition, the engine is held in inventory and not property, plant and equipment, until such time as the sale occurs. As at 31 December 2023, 55 engines at a total value of £269,109,000 (2022: 63 engines at a total value of £307,677,000) were held in inventory.

Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is the company's functional currency.

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.

2 Significant accounting policies (continued)

External Revenue Policy
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. The Company invoices its customers on a monthly basis with payments due on industry standard terms. Revenue to external customers attracts a 3% margin on profit before tax at the prevailing foreign exchange rates.

Internal revenue policy
Intercompany trading with Rolls-Royce plc does not attract any margin, all costs associated with this trade are recovered from Rolls-Royce plc.

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.

Property, plant and equipment - engines and stands

Property, plant and equipment are stated at historical 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and they are recognised within 'Administrative expense' in the income statement.

2 Significant accounting policies (continued)

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.

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.

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.

A number of the Company's lease liabilities have been based on a USD LIBOR index. All contracts in which the Company is a lessee have been amended. These have been amended to USD Term SOFR (Secured Overnight Financing Rate) plus CAS (Credit Adjustment Spread), and the impact to the Financial Statements is not material.

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.

2 Significant accounting policies (continued)

Leases

i) As Lessee

The Company has leases for engines and stands used in their operations. 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
- 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.

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.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorted of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

ii) As Lessor

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

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.

3 Revenue

The analysis of the revenue by geography is as follows:

	2023 £ 000	2022 £ 000
United Kingdom	179,681	571,862
European Union	37,811	25,496
Rest of World	61,441	56,382
	278,933	653,740

	2023 £ 000	2022 £ 000
Internal revenue	178,252	571,330
External revenue	100,681	82,410
	278,933	653,740

4 Operating (loss)/profit

Arrived at after charging/(crediting)

	2023 £ 000	2022 £ 000
Depreciation expense of property, plant, and equipment (note 9)	35,179	37,208
Impairment charge of property, plant, and equipment (note 9)	1,093	587
Depreciation of ROU assets (note 15)	213,792	208,235
Impairment of ROU assets (note 15)	-	19,982
Lease expense for short term and variable leases	40,973	15,447
(Reversal)/charge for impairment of accounts receivable (note 11)	(32,378)	12,328
Charge for inventory provisions (note 10)	2,239	133
Adjustment to residual value guarantees	(9,365)	(2,510)

The fees for the audit of the Company Financial Statements were £98,473 (2022: £95,000) 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.

5 Finance (income)/costs

	2023 £ 000	2022 £ 000
Interest on lease arrangements (note 15)	58,166	43,108
Foreign exchange (gain)/loss	(153,801)	226,986
	(95,635)	270,094

The foreign exchange gain was driven mainly by the movement in GBP:USD exchange rates and the resulting impact from the revaluation of the monetary lease liabilities and amounts due to group undertakings to prevailing spot exchange rates.

6 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 (2022: £Nil) relating to operating the Company were recharged from Rolls-Royce plc to the Company.

7 Tax on profit

Tax charged in the income statement:

	2023 £ 000	2022 £ 000
Current tax		
Group relief (receivable)/payable at 23.5% (2022: 19%)	(20,884)	11,347
Total current income tax	(20,884)	11,347
Deferred taxation		
Origination and reversal of temporary differences	23,068	(14,230)
Adjustments in respect of prior periods	(498)	2,908
Total deferred taxation	22,570	(11,322)
Tax charge in the income statement	1,686	25

The UK group is profitable in 2023 and capital allowances which have not been claimed whilst the Group has been loss making will therefore be claimed in 2023 to create in year losses which can be surrendered to other UK Group companies which have taxable profits. The utilisation of the capital allowances reduces the deferred tax asset and results in a charge to the income statement, whilst the current year losses created by the capital allowances result in a credit to the income statement.

7 Tax on profit (continued)

Factors affecting tax charge for current and prior year

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2022 - lower) of 23.5% (2022: 19%).

The differences are explained below:

	2023	2022
	£ 000	£ 000
Profit before tax	3,018	2,472
Profit before tax multiplied by the standard rate of corporation tax in the UK of 23.5% (2022: 19%)	709	470
Adjustments in respect of prior periods	(498)	2,908
Expenses not deductible	91	63
Tax rate differential on timing differences	1,384	(3,416)
Total tax charge	1,686	25

8 Right-of-use assets

	Engines and Stands £ 000
Cost	
At 1 January 2023	1,729,408
Additions/modifications	85,401
Disposals	(54,485)
At 31 December 2023	1,760,324
Accumulated depreciation	
At 1 January 2023	854,242
Depreciation charge	213,792
Disposals	(54,485)
At 31 December 2023	1,013,549
Carrying amount	
At 31 December 2023	746,775
At 31 December 2022	875,166

9 Property, plant and equipment

	Engines and Stands £ 000
Cost	
At 1 January 2023	689,807
Disposals	(9,899)
At 31 December 2023	679,908
Accumulated depreciation	
At 1 January 2023	205,017
Depreciation charge	35,179
Impairment charge	1,093
Disposals	(3,696)
At 31 December 2023	237,593
Carrying amount	
At 31 December 2023	442,315
At 31 December 2022	484,790

There are no non-current assets retired from active use or held for sale as at 31 December 2023 (2022: Nil).

10 Inventories

	2023 £ 000	2022 £ 000
Finished goods	286,251	321,453

Finished goods comprise engines and spare parts as at 31 December 2023 and 31 December 2022. Engines classified as inventory are expected to be realised through internal transfer. Provisions held against inventory and included in the above are £3,077,000 (2022: £838,000).

11 Trade and other receivables

	2023 £ 000	2022 £ 000
Trade receivables	37,278	41,744
Accrued income	177,351	248,577
VAT receivable	112	5
Current trade and other receivables	214,741	290,326
Non-current trade and other receivables	-	17,373
Total trade and other receivables	214,741	307,699

£177,351,000 (2022: £248,577,000) of the accrued income balance is expected to be received from fellow group companies. The movement in accrued income mostly relates to fluctuations of foreign currency rates on the balances between Rolls-Royce Plc and the Company.

Trade receivables are stated after provisions for impairment of £18,936,000 (2022: £63,476,000).

Non-current trade and other receivables of £Nil (2022: £17,373,000) are customer trading balances with due dates more than 12 months after the reporting period end.

12 Creditors: amounts falling due within one year

	2023 £ 000	2022 £ 000
Trade payables	8,810	3,571
Deposits	1,463	500
Amounts due to group undertakings	589,514	742,778
	599,787	746,849

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. The company has confirmed the ability and intention to net settle intercompany balances between the two entities, and so the net intercompany balance is reported in creditors.

13 Deferred tax asset

Deferred tax asset movement during the year:

	At 1 January 2023 £ 000	Recognised in income statement £ 000	At 31 December 2023 £ 000
Accelerated tax depreciation	46,013	(22,570)	23,443

Deferred tax movement during the prior year:

	At 1 January 2022 £ 000	Recognised in income statement £ 000	At 31 December 2022 £ 000
Accelerated tax depreciation	34,691	11,322	46,013

14 Provisions for liabilities

	Engine lease returns £ 000
At 1 January 2023	5,572
Additions	302
At 31 December 2023	5,874

The Company has a provision of £5,874,000 (2022: £5,572,000) to reflect compensation payments to joint ventures on operating lease contracts for engines that cannot be recovered as a result of the Russia Ukraine conflict. The provision reflects the Directors best estimate of the expected outflow at which is expected to be settled in the next 12 months.

15 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:

	2023 £ 000	2022 £ 000
Right of use assets		
Engines and stands	746,775	875,166
	746,775	875,166
Lease liabilities		
Current liabilities	179,313	203,134
Non-current liabilities	880,998	1,033,345
	1,060,311	1,236,479

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2023 £ 000	2022 £ 000
Depreciation of right of use assets	213,792	208,235
Impairment of right of use assets	–	19,982
Interest expense (included in finance cost)	58,166	43,108

Future minimum lease payments on leases as at 31 December:

	2023 £ 000	2022 £ 000
Less than one year	228,061	259,453
Later than one year and not latest than five years	766,046	915,364
Later than five years	236,782	275,442
Total gross payments	**1,230,889**	**1,450,259**
Impact of finance expenses	(170,578)	(213,780)
Carrying value of liability	**1,060,311**	**1,236,479**
Of which: Current Liabilities	179,313	203,134
Non-current liabilities	880,998	1,033,345

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31 December 2023 was 5.04% (2022: 3.82%).

15 Leases (continued)

The total lease cash outflow in the year was £244,719,000 (2022: £156,040,000). The payments were made on behalf of the company by Rolls-Royce plc, its parent company.

Leases as lessor

Lease arrangements are receivable as follows:

	2023 £ 000	2022 £ 000
Non-cancellable operating lease rentals are receivable as follows:		
Within one year	11,273	10,482
In two to five years	41,953	41,752
In over five years	32,310	37,071
	85,536	89,305

Of the above, £1,817,000 (2022: £5,064,000) relates to right-of-use assets that have been subleased.

During the year £26,464,000 (2022: £28,736,000) of external revenue was generated from the sublease of right-of-use assets.

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 2023 was £178,000,000 (2022: £571,000,000).

16 Called up share capital

	2023		2022	
	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.

All shares are allotted, fully paid and have equal rights.

17 Contingent liabilities

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 Company or individuals. In addition, the Group could still be affected by actions from customers, customers' financiers and the Company's current and former investors, including certain potential claims in respect of the Group's historical ethics and compliance disclosures which have been notified to the Company. 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 consequence.

18 Related party transactions

Purchases from joint ventures of the Rolls Royce Group

	2023 £ 000	2022 £ 000
Payment of lease obligations	251,087	160,454
Amounts payable included within trade payables (Note 12)	590	-

Sales to joint ventures of the Rolls Royce Group

	2023 £ 000	2022 £ 000
Sale of goods	517	-
Amounts receivable included within trade receivables (Note 11)	1,427	-

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 publicly available from Kings Place, 90 York Way, London, United Kingdom, N1 9FX.