

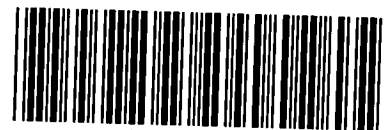
Registration number: 329435

Rolls-Royce Leasing Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

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

Registered office	Moor Lane Derby DE24 8BJ
Auditors	KPMG LLP Chartered Accountants St Nicholas House Park Row Nottingham NG1 6FQ

Rolls-Royce Leasing Limited
Directors' Report for the Year Ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Principal activity

The Company continues to operate a pool of aero engines which are utilised as emergency leases and also in support of other Rolls-Royce businesses long-term service contracts.

Results and dividends

The profit for the year, after taxation, amounted to £7,593 thousand (2016 loss of £5,575 thousand).

During the year a dividend of £Nil was paid, (2016 £Nil). No final dividend is proposed (2016 £Nil).

Directors of the company

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

J N Burgess

J B Crowley (appointed 21 February 2017)

A C Dickinson (resigned 21 February 2017)

Directors' indemnities

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 this report.

Disclosure of information to the auditors

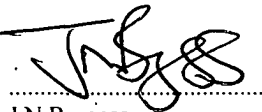
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company auditor is aware of that information.

Reappointment of auditors

Following changes in the legislation requiring mandatory rotation of the audit firm, RR Holdings plc, parent company, is rotating its statutory auditor from KPMG LLP. Consequently, the subsidiaries within the Rolls-Royce group will follow the parent company in changing auditor. Following the issuance of their audit report for the year ended 31 December 2017 KPMG LLP will be resigning as the company's auditor and will therefore cease to hold office. In accordance with section 485 of the Act, the directors intend to appoint PricewaterhouseCoopers LLP as the company's auditor.

Approved by the Board on 12/09/18 and signed on its behalf by:



J N Burgess
Director

Rolls-Royce Leasing Limited

Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

Business Model and Trading

Rolls Royce Leasing Limited predominantly provides short term lease solutions to support customers either via 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. The growth of the pool is expected to continue through two major reasons (i) as the market fragments on the mature products and more smaller airlines take up the aircraft; and (ii) the volume of aircraft and customers on new engine types grows.

Rolls-Royce Leasing Results

	2017 £ 000	2016 £ 000
Revenue	191,250	223,069
Profit/(loss) for the year	7,593	(5,575)

On the more mature engine types there has been an increase in the number of Time and Material customers requesting short term leases to support their operations. The revenue was lower in 2017 from 2016 driven by the change in the utilisation of the lease pool in the support of TotalCare contracts. The nature of the contracts means that the usage of the lease engines can fluctuate over time.

	2017 £ 000	2016 £ 000
Revenue comprises:		
Operating fee	155,014	154,054
Operating lease income	36,236	69,015
	191,250	223,069

Rolls-Royce Leasing Balance Sheet

	2017 £ 000	2016 £ 000
Net assets	15,438	7,845

The lease pool grew to support the Trent 1000 and the Trent XWB engine types. These engines will be used to underpin the TotalCare packages either supporting on a short term basis or as part of TotalCare package on a dedicated basis.

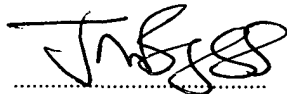
Outlook, risks and uncertainties

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 mature products 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 group and are not managed separately. Accordingly, a full consideration of the principal risks and uncertainties of Rolls-Royce Holdings plc, which include those of the Company, is discussed in the group's annual report which does not form part of this report.

Rolls-Royce Leasing Limited
Strategic Report for the Year Ended 31 December 2017 (continued)

Approved by the Board on 12/09/18 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'JNB', is written over a horizontal dotted line.

J N Burgess
Director

Rolls-Royce Leasing Limited
Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Rolls-Royce Leasing Limited

Independent Auditor's Report

Opinion

We have audited the financial statements of Rolls-Royce Leasing Limited ("the company") for the year ended 31st December 2017 which comprise the income Statement, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Rolls-Royce Leasing Limited
Independent Auditor's Report (continued)

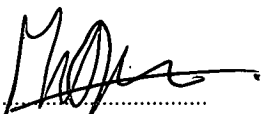
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



.....
Mark Flanagan (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Date: 19/9/2018

Rolls-Royce Leasing Limited
Income Statement for the Year Ended 31 December 2017

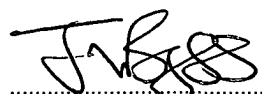
	Note	2017 £ 000	2016 £ 000
Revenue	2	191,250	223,069
Cost of sales		<u>(211,182)</u>	<u>(221,377)</u>
Gross (loss)/profit		(19,932)	1,692
Administrative expenses		<u>2,309</u>	<u>(626)</u>
Operating (loss)/profit		<u>(17,623)</u>	<u>1,066</u>
Other interest receivable and similar income	3	22,596	-
Interest payable and similar charges	6	<u>(2,535)</u>	<u>(8,525)</u>
		<u>20,061</u>	<u>(8,525)</u>
Profit/(loss) before tax		2,438	(7,459)
Tax on profit/(loss) on ordinary activities	7	<u>5,155</u>	<u>1,884</u>
Profit/(loss) for the year		<u><u>7,593</u></u>	<u><u>(5,575)</u></u>

There were no recognised gains and losses for 2017 or 2016 other than those included in the Income Statement.

Rolls-Royce Leasing Limited
(Registration number: 329435)
Balance Sheet as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Non-current assets			
Property, plant and equipment	8	315,751	230,641
Current assets			
Inventories	9	32,513	19,735
Trade and other receivables	10	187,366	133,365
		219,879	153,100
Current liabilities	11	(326,408)	(242,821)
Net current liabilities: trade and other payables		(106,529)	(89,721)
Total assets less current liabilities		209,222	140,920
Non-current liabilities	12	(131,649)	(86,355)
Provisions for liabilities and charges	13	(62,135)	(46,720)
Net assets		15,438	7,845
Equity			
Called up share capital	14	100	100
Capital redemption reserve		1,200	1,200
Retained earnings		14,138	6,545
Total Equity		15,438	7,845

Approved by the Board on 12/09/18 and signed on its behalf by:



J N Burgess
Director

The notes on pages 11 to 18 form an integral part of these financial statements.

Rolls-Royce Leasing Limited
Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	100	1,200	6,545	7,845
Profit for the year	-	-	7,593	7,593
At 31 December 2017	<u>100</u>	<u>1,200</u>	<u>14,138</u>	<u>15,438</u>

	Share capital £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	100	1,200	12,120	13,420
Loss for the year	-	-	(5,575)	(5,575)
At 31 December 2016	<u>100</u>	<u>1,200</u>	<u>6,545</u>	<u>7,845</u>

Rolls-Royce Leasing Limited
Notes to the Financial Statements for the Year Ended 31 December 2017

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006.

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

- A Cash Flow Statement and related notes
- IFRS 2 Share Based Payments in respect of group settled share based payments
- Comparative period reconciliations for property, plant and equipment
- The requirements of IAS 24 Related Party Transactions and has, therefore not disclosed transactions between the Company and its wholly owned subsidiaries
- Disclosures in respect of the compensation of Key Management Personnel
- The effect of new but not yet effective IFRSs.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Estimates and judgements - Return Conditions

The Company has reassessed the return conditions for those engines currently being leased from third parties and have accrued the liability to date. The liability is estimated based on the condition of the engines at the point at which they are returned to the lessor (being the end of the lease agreement)

Going concern

At the balance sheet date the Company owes its immediate parent £274,791 thousand, (2016 £189,044 thousand) and has net current liabilities of £106,529 thousand (2016 - £89,721 thousand).

A parent company overdraft facility, which is interest-free and repayable on demand, is used to finance short term cash needs within the leasing business. As a result all amounts are treated as payables due within one year.

The entity has the support of its parent undertaking in order to meet liabilities as they fall due. As with any company placing reliance on other group entities, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements they have no reason to believe that it will not do so.

Rolls-Royce Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

Basic financial instruments

Trade and other receivables / payables

Trade and other receivables are recognised initially at transaction price less attributable transaction costs. Trade and other payables are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade receivables. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as property, plant and equipment. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in payables net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Income Statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Foreign currency translation

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.

Revenue

Revenues comprise amounts invoiced/credited to customers and excludes value added tax.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Property, plant and equipment

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, of engines over their estimated useful lives - 10 to 20 years (average 13 years).

Rolls-Royce Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

Leases

i) As Lessee

Assets financed by leasing agreements which give rights approximating to ownership (finance leases) have been capitalised at their fair value and depreciation is provided on the basis of the Company's depreciation policy. The net book value of assets held under finance leases is shown in note 8. The annual payments under all other lease agreements, known as operating leases, are charged to the Income Statement on a straight-line basis.

ii) As Lessor

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

2 Revenue

A geographical analysis of revenue is as follows:

	2017 £ 000	2016 £ 000
United Kingdom	156,207	154,644
Rest of European Union	9,221	11,454
Rest of World	25,822	56,971
	<u>191,250</u>	<u>223,069</u>

3 Finance income

	2017 £ 000	2016 £ 000
Net foreign exchange gains	<u>22,596</u>	<u>-</u>

4 Operating profit / (loss)

Operating profit is stated after charging/(crediting):

	2017 £ 000	2016 £ 000
Depreciation of property, plant and equipment:		
- owned by the Company	17,224	12,258
- held under finance leases	7,147	3,743
Operating lease expense - plant and machinery	<u>121,670</u>	<u>94,664</u>

The fees for the audit of the Company financial statements were £9,000 (2016 £9,000) and were paid by Rolls-Royce plc.

5 Staff costs and directors' remuneration

The Company has no employees. The directors of the Company did not receive any remuneration (2016 £nil).

Rolls-Royce Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

6 Interest payable

	2017 £ 000	2016 £ 000
Interest on finance leases and hire purchase contracts	2,535	2,040
Net foreign exchange costs	-	6,485
	<u>2,535</u>	<u>8,525</u>

7 Tax credit on profit on ordinary activities

Tax credited in the income statement

	2017 £ 000	2016 £ 000
Current taxation		
Group relief receivable at 19.25% (2016: 20.00%)	(3,186)	(2,976)
Deferred taxation		
Origination and reversal of temporary differences	3,725	1,861
Adjustments in respect of prior periods	(5,694)	285
Adjustments in respect of reduction in tax rate	-	(1,054)
Total deferred taxation	<u>(1,969)</u>	<u>1,092</u>
Tax credit in the income statement	<u>(5,155)</u>	<u>(1,884)</u>

Factors affecting tax charge for current year

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%). The differences are explained below:

	2017 £ 000	2016 £ 000
Profit/(loss) before tax	<u>2,438</u>	<u>(7,459)</u>
Profit/(Loss) on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	469	(1,492)
Adjustments in respect of prior periods	(5,694)	285
Expenses not deductible	562	584
Tax rate differential on timing differences	(492)	(207)
Adjustments in respect of reduction in tax rate	-	(1,054)
Total tax credit	<u>(5,155)</u>	<u>(1,884)</u>

Factors that may affect future tax charges

The Budget 2016 announced that the UK tax rate will reduce to 19% with effect from 1 April 2017 and 17% with effect from 1 April 2020. The rate reduction to 17% has been substantively enacted on 6 September 2016. The deferred tax assets and liabilities of UK companies within the group have therefore been calculated at 17%.

Rolls-Royce Leasing Limited
Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

8 Property, plant and equipment

	Engines £ 000
Cost	
At 1 January 2017	287,110
Additions	109,416
Disposals	<u>(991)</u>
At 31 December 2017	<u>395,535</u>
Depreciation	
At 1 January 2017	56,470
Charge for the year	24,371
Eliminated on disposal	<u>(1,057)</u>
At 31 December 2017	<u>79,784</u>
Carrying amount	
At 31 December 2017	<u>315,751</u>
At 31 December 2016	<u>230,641</u>

The new book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2017 £ 000	2016 £ 000
Engines	<u>71,173</u>	<u>35,766</u>

9 Inventories

	2017 £ 000	2016 £ 000
Finished goods	<u>32,513</u>	<u>19,735</u>

10 Trade and other receivables

	2017 £ 000	2016 £ 000
Trade receivables	12,726	21,303
Amounts due from group undertakings	68,954	18,380
Accrued income	102,500	90,706
Amount due from group undertakings - group relief	<u>3,186</u>	<u>2,976</u>
	<u>187,366</u>	<u>133,365</u>

The accrued income balance is expected to be recovered from fellow group companies.

Rolls-Royce Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

11 Trade and other payables

	2017 £ 000	2016 £ 000
Trade payables	26,490	23,097
Accruals and deferred income	5,438	27,923
Net obligations under finance leases and hire purchase contracts	19,290	1,827
Amounts due to group undertakings	274,791	189,044
Payments received on account	399	930
	<u>326,408</u>	<u>242,821</u>

Amounts owed by group undertakings

At the balance sheet date the Company owes its immediate parent £274,791 thousand (2016 £189,044 thousand).

The immediate parent company, Rolls-Royce plc, has confirmed that it does not intend to demand repayment of the overdraft for a period of 12 months following the approval of the financial statements. As a result the classification does not impact on the Company's ability to operation as a going concern.

12 Payables: amounts falling due after more than one year

	2017 £ 000	2016 £ 000
Net obligations under finance leases and hire purchase contracts	80,774	52,374
Accruals and deferred income	50,875	33,981
	<u>131,649</u>	<u>86,355</u>

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	2017 £ 000	2016 £ 000
Between one and five years	44,559	8,101
After five years	36,215	44,273
	<u>80,774</u>	<u>52,374</u>

Obligations under finance leases are secured by related leased assets.

Rolls-Royce Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

13 Provisions for liabilities and charges

	Other provisions £ 000	Total £ 000
At 1 January 2017	28,802	28,802
Additional provisions	17,385	17,385
At 31 December 2017	<u>46,187</u>	<u>46,187</u>
Non-current liabilities	<u>46,187</u>	<u>46,187</u>

Return Conditions

The Company has reassessed the return conditions for those engines currently being leased from third parties and have accrued the liability to date. In conducting this reassessment the directors have highlighted that an element of this compensation is based on estimated costs from engine flying hours. Such amounts are included within provisions. Other return condition liabilities are presented within accruals and deferred income.

Deferred tax movement during the year:

	At 1 January 2017 £ 000	Recognised in income £ 000	At 31 December 2017 £ 000
Accelerated tax depreciation	<u>17,917</u>	<u>(1,969)</u>	<u>15,948</u>

Deferred tax movement during the prior year:

	At 1 January 2016 £ 000	Recognised in income £ 000	At 31 December 2016 £ 000
Accelerated tax depreciation	<u>16,825</u>	<u>1,092</u>	<u>17,917</u>

14 Share capital

Allotted, called up and fully paid shares

	2017 No. 000	£ 000	2016 No. 000	£ 000
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

15 Financial commitments

There were no capital commitments at 31 December 2017 (2016 £Nil)

At 31 December 2017 the Company has rentals payable under non-cancellable operating leases as follows:

Rolls-Royce Leasing Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

	2017 £ 000	As restated 2016 £ 000
Within one year	163,311	131,872
In two to five years	548,909	454,612
In over five years	382,444	179,827
	<u>1,094,665</u>	<u>766,311</u>

Non-cancellable operating lease rentals payable at 31 December 2017 now reflects using the closing exchange rate applied to foreign currency leases. It also includes leases erroneously omitted, which have been identified during the IFRS 16 transition programme. The comparatives have been adjusted for these iterations.

16 Contingent liabilities

In January 2017, after full cooperation, Rolls-Royce Holdings plc (RRHplc) the ultimate parent company of the company) concluded deferred prosecution agreements with the Serious Fraud Office (SFO), an independent United Kingdom government department, and the US Department of Justice and a leniency agreement with the MPF, the Brazilian federal prosecutors. Prosecutions of individuals may follow and other investigations or enforcement action may be commenced. In addition, we could still be affected by actions from customers and customers' financiers. The Directors of RRHplc are not currently aware of any matters that are likely to lead to a financial loss, but cannot anticipate all the possible actions that may be taken or their potential consequences. There are no financial consequences of these agreements on this company.

17 Parent and ultimate parent undertaking

The Company's immediate parent is Rolls-Royce Holdings 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 62 Buckingham Gate, London, SW1E 6AT.