

New horizons

Ireland as a global hub

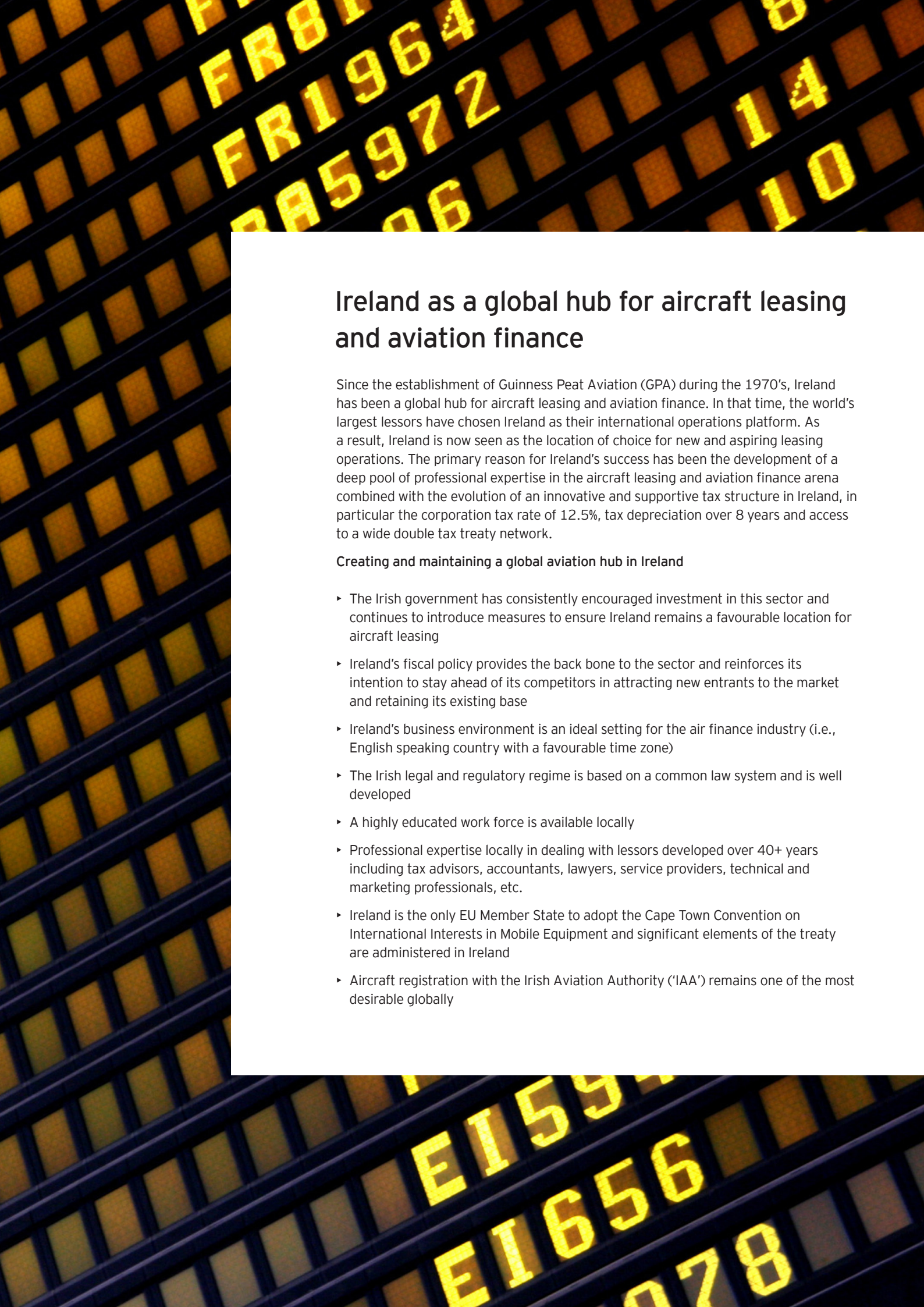
Aviation leasing and financing



Time

Destination

15:05	LONDON	LGW
15:10	LIVERPOOL	
15:20	DONCASTER	
15:25	EDINBURGH	
15:25	EINDHOVEN	
15:30	LONDON	LHR
15:30	LONDON	STN
15:30	MUNICH	
15:30	LONDON	LCY
15:35	LONDON	LHR
15:35	KATOWICE	
15:40	WARSAW	
15:40	LONDON	LGW



Ireland as a global hub for aircraft leasing and aviation finance

Since the establishment of Guinness Peat Aviation (GPA) during the 1970's, Ireland has been a global hub for aircraft leasing and aviation finance. In that time, the world's largest lessors have chosen Ireland as their international operations platform. As a result, Ireland is now seen as the location of choice for new and aspiring leasing operations. The primary reason for Ireland's success has been the development of a deep pool of professional expertise in the aircraft leasing and aviation finance arena combined with the evolution of an innovative and supportive tax structure in Ireland, in particular the corporation tax rate of 12.5%, tax depreciation over 8 years and access to a wide double tax treaty network.

Creating and maintaining a global aviation hub in Ireland

- ▶ The Irish government has consistently encouraged investment in this sector and continues to introduce measures to ensure Ireland remains a favourable location for aircraft leasing
- ▶ Ireland's fiscal policy provides the back bone to the sector and reinforces its intention to stay ahead of its competitors in attracting new entrants to the market and retaining its existing base
- ▶ Ireland's business environment is an ideal setting for the air finance industry (i.e., English speaking country with a favourable time zone)
- ▶ The Irish legal and regulatory regime is based on a common law system and is well developed
- ▶ A highly educated work force is available locally
- ▶ Professional expertise locally in dealing with lessors developed over 40+ years including tax advisors, accountants, lawyers, service providers, technical and marketing professionals, etc.
- ▶ Ireland is the only EU Member State to adopt the Cape Town Convention on International Interests in Mobile Equipment and significant elements of the treaty are administered in Ireland
- ▶ Aircraft registration with the Irish Aviation Authority ('IAA') remains one of the most desirable globally

How can we assist you?

Assurance

Audit services

We believe in providing a reliable and thorough audit - this is our starting point. In addition we will raise your expectations of what an audit firm can provide. We deliver added value and will insist on the measurement of our performance. EY's Global Audit Methodology optimises the value obtained by our clients through a customised audit service that is built on:

- ▶ Assessment of and response to client needs
- ▶ Close communication with management on key aircraft leasing issues
- ▶ Focus on business risk
- ▶ Add value by commenting on any operational improvements
- ▶ Industry specific teams
- ▶ Staff continuity
- ▶ Local and international benchmarks of client performance
- ▶ Structured feedback
- ▶ Risk assessment of business processes and industry context
- ▶ Extensive use of automated techniques
- ▶ We are used to working with other advisors in delivering our audit service
- ▶ A global structure that can mirror your business and provide a truly multinational service
- ▶ We have a dedicated leasing team with significant experience of conducting audits under IFRS, US GAAP and Irish/UK GAAP

Our credentials

We have a large and diverse portfolio of aviation leasing clients, including a number of the Top 20 aircraft lessors, engine lessors and many start up developing structures. We understand the diverse needs of our clients and issues facing differing clients and respond accordingly. Through the strong integration of our global practice and accessibility of the EY Global leasing network, we can assure an efficient and quality service.

Our leasing assurance team has experience working on a large range of extended assurance engagements including

- ▶ The provision of comfort letters
- ▶ Technical accounting support
- ▶ US GAAP training
- ▶ IPO support
- ▶ Agreed upon procedures
- ▶ Working capital audits
- ▶ SOX 404 support
- ▶ Financial due diligence

Financial Accounting Advisory Services

Our Financial Accounting Advisory Services team can provide you with a team of accounting specialists who are focused on providing practical solutions to complex financial reporting issues, explained in an easy to understand style. We combine accounting, financial, industry sector and process expertise, benchmarked against your peers, to address your needs, your stakeholder expectations and your regulatory obligations.

Our 'on call' service ethos means we are able to respond quickly to fast-moving business processes and timelines - whether assisting with advice related to transactions or working to tight financial close deadlines.

Our team connects with other teams across the globe, giving you the benefit of extensive subject matter knowledge, with the latest country specific insights.

Our credentials

We have provided advice to a range of aircraft and engine lessors in many areas including lease accounting, maintenance accounting, lease incentives, impairment review and acquisitions under both IFRS and US GAAP. We keep our clients abreast of current accounting issues and developments assisting our clients in assessing the impact of the revised changes to lessee accounting as proposed by the IASB.

Advisory

Advisory Risk

We work hard for our clients, enabling them to articulate and communicate a clear understanding of their particular risk environment, and the process and the controls which they use to manage it. Specifically we have facilitated lessors to articulate and document their risk frameworks, draft their procedures in a clear and transparent way, performed and advised on the performance of management testing under Sarbanes Oxley, assisted banking group auditors and risk professionals to an understanding of the very different risk management processes and regulatory environment in aircraft leasing and provided out-sourced and co-sourced internal audit functions, as well as performing various ad-hoc assignments and investigations. Our reports and documentation have been crucial advantages to lessors in communicating with shareholders and larger financial groups.

Our credentials

We have recently provided outsourced internal audit to three leading global aircraft lessors and have advised organisations in the sector on treasury management, operational risk, Sarbanes Oxley compliance, regulatory compliance, AML procedures and third party reporting on internal controls.

Our services:

- ▶ Deal process improvement
- ▶ Internal Audit outsourcing; financial and operational
- ▶ Internal Audit liaison with GIA
- ▶ IPO readiness assessment
- ▶ Risk Register assessment, facilitation and creation
- ▶ SOx 404 management testing
- ▶ SOC1 Reporting to third parties on internal systems
- ▶ Policy and procedures, creation and update; facilitation, guidance on industry practices and detailed drafting

Valuations

EY's global valuation capability includes over 1800 valuation and modelling professionals in 70 countries, including specialists in aviation finance and the wider aircraft and aviation sector. We offer an almost unique combination of valuations skills spanning both financial instruments and the underlying tangible assets.

Our valuation services are provided in accordance with internationally recognised valuation standards, including: IVSC, RICS and USPAP. We provide such valuation advice and reviews to finance houses, banks, specialist lessors, international, regional and low cost airline groups, central banks, regulators, investors, aviation and airport authorities, MROs, aircraft and component manufacturers.

Aviation valuation services include:

- ▶ Aircraft and finance instrument valuations
- ▶ Mark to market value benchmarking
- ▶ Basel 111 and capital adequacy asset valuations
- ▶ LGD modelling and valuation scenarios
- ▶ Transaction modelling
- ▶ Decision support
- ▶ Collateral studies
- ▶ Cross border recovery and insolvency
- ▶ Lessor entity priority modelling
- ▶ Accounting impairment studies and reviews
- ▶ In-house and third party valuation reviews and testing
- ▶ Valuations under US, IFRS and National GAAP conventions
- ▶ IFRS 1 first time adoption and IAS 16 Asset Fair Value opinions
- ▶ Lease/tax migration valuation opinions
- ▶ Residual values projections
- ▶ Regulatory and privatisation valuations
- ▶ Fairness opinions

Tax

Ireland's fiscal policy focuses on maintaining and advancing our competitive advantage:

- ▶ Irish aircraft lessors regarded as carrying on trading activity qualify for the 12.5% corporate tax rate on lease rental income and gains on aircraft sales
- ▶ Accelerated tax depreciation over 8 years (with clawback on sale only where sales proceeds above tax carrying value)
- ▶ Extensive treaty network to minimise or eliminate withholding and income taxes on inbound lease rentals - currently 72 treaties in effect
- ▶ No domestic withholding taxes on outbound lease rental payments
- ▶ Generally no withholding tax on interest and dividends paid from Ireland to treaty countries
- ▶ For aircraft leasing an effective 0% rated VAT regime with full recovery on costs related to aircraft leasing activities
- ▶ Stamp duty exemptions for aircraft and certain aircraft related transactions
- ▶ Special securitisation tax regime for leasing of plant and machinery that offers a tax neutral securitisation vehicle for capital market securitisations and flexible tax free investment returns to certain market investors
- ▶ Generally no transfer taxes on sale of aircraft
- ▶ No onerous thin capitalization rules
- ▶ OECD compliant transfer pricing regime
- ▶ No controlled foreign company (CFC) rules
- ▶ No onerous obstacles to exit
- ▶ Advising on structuring opportunities for an Irish aircraft platform
- ▶ Advising on cross-border tax issues relating to the purchase, sale and leasing of aircraft or portfolios in order that any global tax leakage is minimised. To facilitate, we have invested substantially in our in house tax database that highlights the relevant operating and transaction taxes associated with cross border aircraft leasing structures and transfer tax events
- ▶ Advising on Irish and international transfer pricing requirements
- ▶ Advising and assisting with Irish and cross border tax reporting obligations (including various US reporting obligations)
- ▶ Transaction support including limited and full scope due diligence assistance and M&A structuring assistance
- ▶ Advice on Revenue audits and dispute management
- ▶ VAT planning and ongoing VAT management and cost reduction

Our credentials

We have a team of experienced aircraft leasing professionals with excellent credentials in advising some of Ireland's (and the world's) top aircraft lessors. We can advise you on a wide range of areas, including:

- ▶ Structuring equity and debt investments for key stakeholders

Specific legislation has been put in place to encourage Islamic investment into Ireland. We have a dedicated Islamic financing team who can advise on asset financing deals such as sukuk transactions. Similarly, Ireland has established itself as the location of choice for securitisation vehicles and we have significant experience in this sector.

We advise our aircraft leasing clients in relation to aircraft portfolio and entity acquisitions. Through a collaborative approach with our network of aircraft leasing specialists across the EY network, we can provide you with the information and advice you need. In addition to our affiliation with EY offices globally, we have the largest and longest-standing Foreign Tax Desk network of any firm. The Foreign Tax Desk system brings tax partners and senior managers from their local countries to serve on a rotation in the US (and other countries). As such, we are more quickly able to find the tax professional in a local country with the proper industry background and transactional experience and knowledge.

Transactions

Our transaction advisory team bring expertise and experience in a broad range of services designed to support you as you establish your business, grow, optimise and potentially exit your business.

For new business ventures our services include:

- ▶ Fund raising, including debt and equity funding, IPO readiness, Private Equity, Private placement and capital market
- ▶ Financial, taxation, commercial, regulatory and operational due diligence on initial asset portfolios

As you seek to grow the business, through acquisition and performance optimisation, our services include:

- ▶ Valuation services
- ▶ Merger and acquisition negotiation advice
- ▶ Financial, taxation, commercial, regulatory and operational due diligence on potential acquisitions
- ▶ Transaction integration advice
- ▶ 100 day planning post acquisition
- ▶ Business modelling services
- ▶ Working capital and cash flow change programmes to optimise performance
- ▶ Infrastructure Projects
- ▶ Refinancing and restructuring debt obligations

We also have a range of services, to assist you with your preferred exit route:

- ▶ Lead advisory services, running the exit process
- ▶ Sell side support, assessing your exit readiness and assisting you prepare for the exit process
- ▶ Sell side due diligence including financial, taxation, commercial and operational due diligence
- ▶ Carve out services
- ▶ IPO readiness assessment, should these be the preferred exit route

- ▶ Reporting accountant procedures to support the IPO process

Our credentials

Our team regularly acts for a wide range of corporate and private equity clients on transactions in Ireland, Europe and on a global basis.

Our global network of flexible, committed and responsive professionals and our unique global methodology ensures consistency of service and advice, regardless of location.



Global Trade

Moving goods across borders can be a complex and costly activity. More than ever before, effective management of global trade issues and costs is crucial to maintaining a competitive advantage.

EY Global Trade brings together vast experience and global knowledge to serve clients anywhere in the world they do business. We have more than 400 dedicated professionals globally, with experience in more than 140 countries.

Our Global Trade Teams are multidisciplinary, including professionals with accounting, legal, supply chain, systems, government and industry backgrounds. This diversity of experience allows us to look at situations from multiple perspectives, helping clients efficiently reach their objectives. We advise on local rules and across jurisdictions, comprehensively improving regulatory compliance and lawful duty reduction.

Our Credentials

Our Global Trade team has deep experience and an extensive international network that can help you manage the customs implications of your international leasing transactions. The implications of incorrect customs and trade treatment can be complex, costly and dependent on the fact pattern of the aircraft transacted and the status of the parties involved.

In general commercial aircraft on scheduled international routes require little customs involvement. However the situation is much more complex in aircraft leasing transactions where irrespective of the type of transaction (i.e. a sale, lease, purchase, return), the physical movement of an aircraft across a national or fiscal border will likely create an export/import. This can result in the potential crystallisation of customs duties, VAT and similar taxes as well as the requirement for various control, compliance and reporting aspects. Incorrect treatment can and has led to seizures of aircraft in EU member states for instance, with significant fines applied. It is important to ensure leasing transactions are compliant from a customs perspective to avoid these situations.

Export controls are also a significant concern in respect of aircraft leasing activities especially related to recent developments in economic sanctions applied to Iran and Russia.

It is important to take into account the possible effects of sanctions and other export restrictions, present and future, when negotiating and entering into an aircraft lease.

Key Service offerings:

- ▶ Project Management for import / export operations
- ▶ Import and export compliance reporting support
- ▶ Providing duty and VAT optimized solutions using customs procedures and duty remission programs
- ▶ Broker management and liaison with customs authorities
- ▶ Internal Training and support documenting operating procedures
- ▶ Transaction structuring
- ▶ Trade assessment, improvement and transformation
- ▶ Import and export internal control and process improvement
- ▶ Global trade risk diagnostic
- ▶ Creation and implementation of global trade compliance programs
- ▶ Trade compliance reviews and compliance auditing tools
- ▶ Assistance with customs and export authority audits
- ▶ Customs, export control, antidumping and trade remedies controversy
- ▶ Trade-related antibribery and anticorruption programs
- ▶ Trusted trader and Authorized Economic Operator (AEO) programs
- ▶ Internal audit assistance, Sarbanes-Oxley documentation and Importer Self-Assessment testing
- ▶ Transactional due diligence

Corporate Outsourcing Services

Having determined the best structure for your aviation transaction, we can provide fully integrated outsourced solutions to help meet the growing complexities and demands of your compliance and reporting requirements, in Ireland and overseas. Our outsourcing service enables our aviation clients to consolidate the use of multiple service providers, across several jurisdictions, thereby reducing the risk of non-compliance, allowing management to retain control of and to focus on strategic priorities and producing timely, standardised statutory reporting.

Our Corporate Outsourcing Services:

- ▶ Accounting and Financial Reporting
- ▶ Company Secretarial Advice and Administration
- ▶ Corporation Tax Compliance
- ▶ iXBRL
- ▶ Payroll Outsourcing
- ▶ HR Outsourcing

We assess outsourcing and co-sourcing opportunities through value, control and efficiency. We map the related drivers to impacts and challenges and discuss how leading companies in your sector address these areas. Together we can assess where the biggest opportunities for improvement exist and co-develop potential solutions.

Our credentials

We have recently provided outsourced tax compliance and company secretarial services to two leading global airlines and have advised organisations in the sector on entity formations, statutory accounting and regulatory compliance, indirect tax compliance, governance and control and payroll solutions.





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Ireland's success has been the development of a deep pool of professional expertise in the aircraft leasing and aviation finance arena combined with the evolution of an innovative and supportive tax structure.



About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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