

Aircastle Group - UK Tax Strategy

Year ended 31 December 2018

Introduction

The Aircastle Group (“Aircastle”) acquires, leases, and sells commercial jet aircraft to airlines throughout the world. As of December 31, 2018, Aircastle owned and managed 261 aircraft leased to 81 lessees located in 44 countries. Aircastle is listed on the New York Stock Exchange (AYR).

Aircastle is committed to effective tax risk management. Aircastle’s tax affairs which include those of its UK subsidiaries listed in Appendix I (the “UK Group”), are managed in line with its overall high standards of corporate governance. Aircastle is committed to managing its tax policies with integrity and in an honest and responsible manner.

These tax policies apply to the UK Group and will be reviewed and updated by the board of directors of each member of the UK Group on an annual basis. Aircastle regards this publication as complying with the duty under Paragraph 22 (2) of Schedule 19, Finance Act 2016.

The UK Group’s tax strategy is set out below:

1. Approach to risk management and governance in relation to UK tax:

Effective risk management is paramount for the UK Group and underpins its business strategy. The UK Group’s appetite for risk is a carefully calibrated part of the business model aligned to its strategic and corporate objectives. The UK Group’s ongoing tax risk approach is based on principles of reasonable care and materiality.

Due to the cross-border nature of the business of the UK Group, risks are inevitable. The UK Group and its Board of Directors actively monitors tax risks faced as part of wider risk management and is aware of these risks and their impact on an ongoing basis. For example, the UK Group seeks to avoid double taxation of the same income and controls are put in place to manage tax risks (e.g., transfer pricing, VAT, customs, etc.) including engaging with Aircastle’s internal and external tax advisors where appropriate. The UK Group seeks to pay tax and file returns on a timely basis.

2. Attitude of the UK Group towards tax planning:

The UK Group proactively seeks to structure transactions in a way that benefits from any available tax reliefs. The Companies however will only engage in tax planning when (i) it is in line with the Group’s business operations and achieves other commercial objectives, (ii) a thorough tax analysis has been conducted, (iii) it is more likely than not that it will be successful, and (iv) it falls within the parameters of the relevant tax legislation.

3. Level of risk in relation to UK tax that the UK Group is prepared to accept:

The UK Group’s attitude to tax risk (as discussed above) is characterised by a commitment to compliance (on time filings and payment of tax), whilst also supporting the strategy of Aircastle– to create value for shareholders. The UK Group endeavour to make appropriate

and relevant claims and elections to manage tax liabilities and to ensure that these are paid in full and on time.

The UK Group is not prescriptive in terms of levels of acceptable risk, however the UK Group's strategic objective is to comply with legal requirements in the taxing jurisdictions in which the UK Group operates, in a manner that ensures the right amount of tax is paid while creating sustainable shareholder value, underpinned by a tax philosophy based on an open, co-operative and transparent relationship with the Tax Authorities. The UK Group would therefore consider itself to be low-risk from a tax perspective.

4. Approach of the UK Group in dealings with HMRC:

The UK Group understands the importance of communication with HMRC and maintain an open and transparent relationship with HMRC and seeks to work in partnership with HMRC in relation to its tax affairs. The UK Group seeks to liaise with HMRC and agree in advance on certain matters, where this is possible, in order to ensure that the expectations of all parties are matched.

Appendix I

List of UK Entities (the Aircastle UK Entities) covered by the above UK tax strategy as follows:

Orchard Aviation 41522 (UK) Limited
Orchard Aviation 41523 (UK) Limited
Melbourne Aircraft Leasing (UK) Limited