

# **Mitchell Aviation Investment Company Designated Activity Company**

Directors' report and consolidated financial statements

*For the financial year ended 31 December 2023*

*Registered Company number: 619342*

## **Mitchell Aviation Investment Company Designated Activity Company**

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## **Mitchell Aviation Investment Company Designated Activity Company**

### **Directors and other information**

<b>Directors</b>	Mark Gordon (Irish) Julian Dunphy (Irish) John McMahon (Irish) – resigned effective 19 November 2025
<b>Registered office</b>	32 Molesworth Street Dublin 2
<b>Company secretary</b>	MFD Secretaries Limited 32 Molesworth Street Dublin 2
<b>Independent auditor</b>	KPMG 1 Harbourmaster Place IFSC Dublin 1
<b>Banker</b>	Wells Fargo Trust Company, N.A. 299 S. Main Street, 5th Floor Salt Lake City, UT 84111 United States
<b>Legal advisor</b>	Maples and Calder 75 Stephen's Green Dublin 2
<b>Managing agent</b>	Maples Fiduciary Services (Ireland) Limited 32 Molesworth Street Dublin 2
<b>Servicer</b>	Carlyle Aviation Management Limited Connaught House 1 Burlington Road Dublin 4
<b>Registered number of Incorporation</b>	619342

## **Mitchell Aviation Investment Company Designated Activity Company**

### **Directors' report**

The Directors present their annual report, and the consolidated financial statements of Mitchell Aviation Investment Company Designated Activity Company (the "Company") and its subsidiaries, namely SASOF II, LLC and SASOF II (H), LP (together the "Group") for the financial year ended 31 December 2023.

### **Principal activities, business review and future developments**

The Company was incorporated in Ireland on 23 January 2018. The Group's activities include the leasing of aircraft together with associated support services. The Company's registered address is 32 Molesworth Street, Dublin 2.

On 3 May 2023, both the airframes of MSN 370 and MSN 375 were entered into consignment sale agreements to two different consignment partners. On 22 August 2023 and 08 September 2023, the engine of MSN 375 bearing ESN 733468 and the engine of MSN 370 bearing ESN 733507 were sold, respectively, to an external party. There were no other significant transactions during the year.

At year end, the Company has two engines (2022: four engines).

The Directors have no plans to change the activities and operations of the Group in the foreseeable future.

### **Going concern**

The Group is loss making and in a net asset position. Pursuant to the terms of the subordinated loan agreement, Group's obligations are limited to monies received or recovered from the collateral (being the aircraft). The Directors are satisfied that the realisable value of the engines and inventories will be sufficient to discharge the liabilities and obligations of the Group upon maturity of the loans.

In determining the going concern basis of preparation of the financial statements, the Directors have considered the impact of the COVID-19 has had and continues to have on the Group, its aircraft portfolio, and its customers. The Directors have considered the available resources to the Group through AASET 2014-1 US Limited ("Ultimate Parent") and related forecasts, which show that based on current information that the Group would continue as a going concern for the foreseeable future. On the basis of the above factors, the Directors are satisfied that the going concern basis continues to be appropriate.

### **Principal risks and uncertainties**

The Group operates as a lessor to American based airlines. The Group's ability to succeed is dependent on the financial strength of its lessees, their ability to compete effectively in the marketplace and to manage the competitive environment in which they operate.

The lessees are responsible for ensuring that the aircraft has adequate insurance cover, and the Directors have put appropriate monitoring systems in place to ensure that the lessee remains compliant.

The Group is subject to various risks. The key risks facing the Group and the manner in which these risks have been dealt with are disclosed in note 18 to the consolidated financial statements.

The COVID-19 Pandemic has significantly impacted the air travelling industry. The Directors, in conjunction with the Managing Agent and the Servicer, continue to monitor the risk that the impact of COVID-19 has had and continues to have on the Group. The Directors also note Russia's ongoing invasion of Ukraine and the following economic sanctions imposed on Russia. As a result of these sanctions, the Group has fully complied with the sanctions. There has been no financial impact of these sanctions on the Company as there was no aircraft leased in Russia.

### **Results for the financial year ended 31 December 2023**

The Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2023 and the Consolidated Statement of Financial Position at that date are set out on pages 9 and 10, respectively. The loss before taxation amounted to \$672,977 (2022: Profit before taxation of \$4,377,156). The retained earnings amounted to \$1,182,323 (2022: Retained earnings of \$1,687,056).

### **Issue of shares**

Authorised share capital consists of 100,000 ordinary shares divided into 100,000 shares with a par value of \$1 each. The registered holder of the Group's ordinary share capital is Mitchell Aviation Investment SARL.

### **Key performance indicators**

During the period,

- the Group recognised gross revenue of \$3,077,226 (2022: \$19,819,025).
- the Group made a loss after tax of \$504,733 (2022: profit of \$3,931,868)

## Mitchell Aviation Investment Company Designated Activity Company

### Directors' report

#### Political and charitable contributions

The Electoral Act 2012 requires companies to disclose all political donations over USD 213/EUR 200 in aggregate made during the financial period. The Directors have satisfied themselves that no such donations have been made during the financial year.

#### Changes in Directors and Group Secretary

The names of the Directors and Secretary are set out on page 2. Unless otherwise stated, the Directors and Secretary served throughout the financial year.

The Directors and Secretary who held office at 31 December 2023 do not have any direct or beneficial interest in the shares, deferred shares, share options and debentures of the Group, or any group company at that date or during the financial period requiring disclosure pursuant to Section 329 of the Companies Act 2014.

#### Directors' Compliance Statement and Audit Committee

The Group does not meet the requirements to provide a Directors' Compliance Statement or establish an Audit Committee in line with Section 225(2) and Section 167 of the Companies Act 2014 respectively.

#### Transactions involving Directors

There were no loans advanced to the Directors at any time during the financial year. During the year the Directors did not receive any emoluments for services provided to the Group. John McMahon received all emoluments from AASET 2014-1 US Limited in respect of his duties for this Group.

The managing agent and administration services (which include the provision of Directors) is incurred and paid by AASET 2014-1 International Limited. Julian Dunphy and Mark Gordon, as employees of the Managing Agent, had an interest in this fee.

There were no other contracts or arrangements in relation to the business of the Group in which the Directors had any interest, as defined by the Companies Act 2014, at any time during the financial year.

#### Accounting records

The Directors are responsible for ensuring that adequate accounting records are kept by the Group. To achieve this, the Directors have appointed the Managing Agent to provide accounting services, who report to the Board and ensure that the requirements of Sections 281 to 285 of the Companies Act 2014, are complied with. The accounting records of the Group are maintained at its registered office.

#### Auditors

KPMG, Chartered Accountants and Statutory Audit Firm, were appointed as the Company's auditor and have indicated their willingness to continue in office.

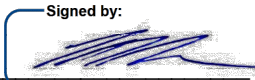
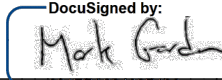
#### Relevant audit information

The Directors believe they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Group's statutory auditors are aware of that information. In so far as they are aware, there is no relevant audit information of which the Group's statutory auditors are unaware.

#### Events after the reporting period

On 16 February 2024, ESN 733504 was sold to an external party. There have been no significant events after period end that would require adjustment or disclosure in these consolidated financial statements.

Approved by the board and authorised for issue on 20 January 2026.

Signed by: 	DocuSigned by: 
_____ 6FE3BE661E9F4A6...	_____ 831FEA82106E490...
Julian Dunphy Director	Mark Gordon Director

## Mitchell Aviation Investment Company Designated Activity Company

### Statement of Directors' Responsibilities

The directors are responsible for preparing the Group consolidated financial statements in accordance with applicable law and regulations.

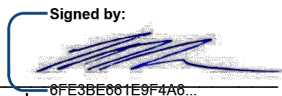
Company law requires the directors to prepare Group consolidated financial statements for each financial period. Under that law, the directors have elected to prepare the Group consolidated financial statements in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Act 2014.

Under company law the directors must not approve the Group consolidated financial statements unless they are satisfied that they give a true and fair view of the consolidated assets, liabilities and financial position of the Group and of its consolidated profit or loss for that period. In preparing the Group consolidated financial statements, the directors are required to:

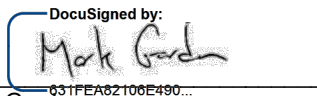
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group'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 Group or to cease operations, or have no realistic alternative but to do so. elect suitable accounting policies and then apply them consistently;

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the consolidated assets, liabilities, financial position and profit or loss of the Group and which enable them to ensure that the consolidated financial statements comply with the provision of the Companies Act 2014. They are also responsible for safeguarding the assets of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are also responsible for preparing a directors' report that complies with the requirements of the Companies Act 2014.

Approved by the board and authorised for issue on 20 January 2025.

Signed by:  
  
6FE3BE061E9F4A6...

Julian Dunphy  
Director

DocuSigned by:  
  
631FEA62100E490...

Mark Gordon  
Director



**KPMG**

Audit  
1 Harbourmaster Place  
IFSC  
Dublin 1  
D01 F6F5  
Ireland

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITCHELL AVIATION INVESTMENT COMPANY DESIGNATED ACTIVITY COMPANY**

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

#### ***Opinion***

We have audited the financial statements of Mitchell Aviation Investment Company Designated Activity Company ('the Company') and its consolidated undertakings ('the Group') for the year ended 31 December 2023 set out on pages 9 to 33, which comprise the Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity, Company statement of cash flows and related notes, including the summary of significant accounting policies set out in note 3.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Conclusions relating to going concern***

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.

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 Group's or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITCHELL AVIATION INVESTMENT COMPANY DESIGNATED ACTIVITY COMPANY** *(continued)*

### ***Other information***

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of 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 as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Based solely on our work on the other information undertaken during the course of the audit, we report that:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, those parts of the directors' report specified for our review, which does not include sustainability reporting when required by Part 28 of the Companies Act 2014, have been prepared in accordance with the Companies Act 2014.

### ***Our opinions on other matters prescribed by the Companies Act 2014 are unmodified***

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

### ***Matters on which we are required to report by exception***

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

### **Respective responsibilities and restrictions on use**

#### ***Responsibilities of directors for the financial statements***

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for: the preparation of the financial statements including 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 Group and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITCHELL AVIATION INVESTMENT COMPANY DESIGNATED ACTIVITY COMPANY (continued)**

***Auditor's 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 auditor's 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 (Ireland) 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.

A fuller description of our responsibilities is provided on IAASA's website at <https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements/>.

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

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. 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.

21 January 2026

Killian Croke  
**for and on behalf of**  
**KPMG**  
**Chartered Accountants, Statutory Audit Firm**  
1 Harbourmaster Place  
IFSC  
Dublin 1

**Mitchell Aviation Investment Company Designated Activity Company**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
For the financial year ended 31 December 2023

	Note	Year ended 31 December 2023 \$	Year ended 31 December 2022 \$
<b>Revenue</b>			
Lease revenue	4	980,417	4,940,231
Lease return settlement		-	14,878,794
Gain on sale of aircraft and related assets		877,500	-
Consignment sales		1,219,309	-
		<b>3,077,226</b>	<b>19,819,025</b>
<b>Expenses</b>			
Cost of inventories sold	11	(156,765)	-
Impairment of engine	9	-	(2,643,082)
Impairment of asset held for sale	10	-	(1,819,679)
Impairment of inventory	11	(308,542)	(1,025,241)
Release of intangible on lease termination	9	-	(4,033,515)
Operating expenses	7	(3,804,189)	(5,383,082)
<b>Results from operating activities</b>		<b>(1,192,270)</b>	<b>4,914,426</b>
<b>Finance income (expense)</b>			
Interest expense	5	(493,499)	(1,237,182)
Remeasurement of loans	5, 14	1,012,792	699,912
<b>Finance income (expense)</b>		<b>519,293</b>	<b>(537,270)</b>
<b>(Loss)/Profit before taxation</b>	6	<b>(672,977)</b>	<b>4,377,156</b>
Income tax credit/(expense)	8	168,244	(445,288)
<b>(Loss)/Profit for the year</b>		<b>(504,733)</b>	<b>3,931,868</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive (loss)/income</b>		<b>(504,733)</b>	<b>3,931,868</b>

The Group has no recognised gains or losses in the financial period other than those included within the Consolidated Statement of Profit or Loss and Other Comprehensive Income. All items relate to continuing operations.

The accompanying notes form an integral part of these consolidated financial statements.

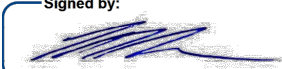
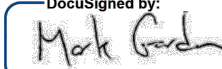
## Mitchell Aviation Investment Company Designated Activity Company

### Consolidated Statement of Financial Position as at 31 December 2023

	Note	31 December 2023 \$	31 December 2022 \$
<b>Non-current assets</b>			
Aircraft and related components	9	2,956,995	8,185,234
		<b>2,956,995</b>	<b>8,185,234</b>
<b>Current assets</b>			
Trade and other receivables	12	1,898,862	256,315
Inventory	11	890,948	1,356,255
Non-current asset held for sale	10	2,275,000	4,000,000
		<b>5,064,810</b>	<b>5,612,570</b>
<b>Total assets</b>		<b>8,021,805</b>	<b>13,797,804</b>
<b>Non-current liabilities</b>			
Loans and borrowings	14	6,662,462	11,765,484
Deferred tax liability		46,019	214,263
Security deposits		65,000	130,000
		<b>6,773,481</b>	<b>12,109,747</b>
<b>Current liabilities</b>			
Other payables	15	66,000	1,000
		<b>66,000</b>	<b>1,000</b>
<b>Total liabilities</b>		<b>6,839,481</b>	<b>12,110,747</b>
<b>Equity</b>			
Called up share capital	16	1	1
Retained earnings		1,182,323	1,687,056
<b>Total equity</b>		<b>1,182,324</b>	<b>1,687,057</b>
<b>Total equity and liabilities</b>		<b>8,021,805</b>	<b>13,797,804</b>

The accompanying notes form an integral part of these consolidated financial statements.

Approved by the board and authorised for issue on 20 January 2026.

Signed by: 	DocuSigned by: 
Julian Dunphy Director	Mark Gordon Director

**Mitchell Aviation Investment Company Designated Activity Company**

**Consolidated Statement of Changes in Equity**  
*For the financial year ended 31 December 2023*

	Called up share capital \$	Retained earnings \$	Total equity \$
<b>Balance at 1 January 2022</b>	<b>1</b>	<b>(2,244,812)</b>	<b>(2,244,811)</b>
Total comprehensive income during the year	-	3,931,868	3,931,868
<b>Balance at 31 December 2022</b>	<b>1</b>	<b>1,687,056</b>	<b>1,687,057</b>
Total comprehensive loss during the year	-	(504,733)	(504,733)
<b>Balance at 31 December 2023</b>	<b>1</b>	<b>1,182,323</b>	<b>1,182,324</b>

The accompanying notes form an integral part of these consolidated financial statements.

## Mitchell Aviation Investment Company Designated Activity Company

### Consolidated Statement of Cash Flows

For the financial year ended 31 December 2023

	Note	Year ended 31 December 2023 \$	Year ended 31 December 2022 \$
<b>Cash flows from operating activities</b>			
(Loss)/Profit before tax for the year		(672,977)	4,377,156
<i>Adjustment for:</i>			
Depreciation expense	9	2,953,239	4,815,023
Impairment expense	9, 10, 11	308,542	5,488,002
Release of intangible on lease termination	9	-	4,033,515
Interest expense	5	493,499	1,237,182
Remeasurement of loans	5, 14	(1,012,792)	(699,912)
Increase in trade and other receivables	12	(1,642,547)	(252,210)
Increase in inventory	11	156,765	-
Decrease in other payables and deferred income		-	(485,333)
Increase in security deposits		-	130,000
<b>Net cash inflow from operating activities</b>		<b>583,729</b>	<b>18,643,423</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of noncurrent asset held for sale		4,000,000	-
<b>Net cash inflow from investing activities</b>		<b>4,000,000</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Repayments of loans	14	(4,583,729)	(18,106,153)
Interest paid	14	-	(537,270)
<b>Net cash outflow from financing activities</b>		<b>(4,583,729)</b>	<b>(18,643,423)</b>
Increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
<b>Cash and cash equivalents at the end of year</b>		<b>-</b>	<b>-</b>

The accompanying notes form an integral part of these consolidated financial statements.

**Mitchell Aviation Investment Company Designated Activity Company**

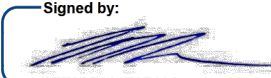

**Company Statement of Financial Position**

As at 31 December 2023

	Note	31 December 2023 \$	31 December 2022 \$
<b>Non-current assets</b>			
Investment in subsidiaries	13	38,009,295	40,085,171
		<b>38,009,295</b>	40,085,171
<b>Current assets</b>			
Other receivables	12	-	-
		-	-
<b>Total assets</b>		<b>38,009,295</b>	40,085,171
<b>Non-current liabilities</b>			
Loans and borrowings	14	6,662,462	11,765,484
Deferred tax liability	8	837,730	1,005,974
		<b>7,500,192</b>	<b>12,771,458</b>
<b>Current liabilities</b>			
Other payables	15	30,068,788	24,292,789
		<b>30,068,788</b>	<b>24,292,789</b>
<b>Total liabilities</b>		<b>37,568,980</b>	<b>37,064,247</b>
<b>Equity</b>			
Called up share capital	16	1	1
Retained earnings		440,314	3,020,923
<b>Total equity</b>		<b>440,315</b>	<b>3,020,924</b>
<b>Total equity and liabilities</b>		<b>38,009,295</b>	<b>40,085,171</b>

The accompanying notes form an integral part of these consolidated financial statements.

Approved by the board and authorised for issue on 20 January 2026.

Signed by: 	DocuSigned by: 
_____ 6FE3BE661E9F4A6... Julian Dunphy Director	_____ 631FEA82106E490... Mark Gordon Director

**Mitchell Aviation Investment Company Designated Activity Company**

**Company Statement of Cash Flows**

*For the financial year ended 31 December 2023*

	Note	Year ended 31 December 2023 \$	Year ended 31 December 2022 \$
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax for the year		(2,748,853)	7,544,002
<i>Adjustment for</i>			
Interest expense	5	493,499	1,237,182
Remeasurement of loans	5, 14	(1,012,792)	(699,912)
Impairment on investment in subsidiaries	13	2,075,876	-
Increase in other payables	15	5,775,999	10,562,151
<b>Net cash inflow from operating activities</b>		<b>4,583,729</b>	<b>18,643,423</b>
<b>Cash flows from financing activities</b>			
Repayments of loans	14	(4,583,729)	(18,106,153)
Interest paid	14	-	(537,270)
<b>Net cash outflow from financing activities</b>		<b>(4,583,729)</b>	<b>(18,643,423)</b>
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
<b>Cash and cash equivalents at the end of year</b>		<b>-</b>	<b>-</b>

The accompanying notes form an integral part of these consolidated financial statements.

## Mitchell Aviation Investment Company Designated Activity Company

### Company Statement of Changes in Equity

For the financial year ended 31 December 2023

	Called up share capital \$	Retained earnings (deficit) \$	Total equity (deficit) \$
<b>Balance at 1 January 2022</b>	<b>1</b>	<b>(2,661,751)</b>	<b>(2,661,750)</b>
Total comprehensive income during the year	-	5,682,674	5,682,674
<b>Balance at 31 December 2022</b>	<b>1</b>	<b>3,020,923</b>	<b>3,020,924</b>
Total comprehensive loss during the year	-	(2,580,609)	(2,580,609)
<b>Balance at 31 December 2023</b>	<b>1</b>	<b>440,314</b>	<b>440,315</b>

The accompanying notes form an integral part of these consolidated financial statements.

# Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

## 1. General information

Mitchell Aviation Investment Company Designated Activity Company (the "Company") was incorporated in Ireland on 23 January 2018. The Company together with its subsidiary undertakings (the "Group") is involved in activities include the purchasing, leasing and disposal of aircraft.

## 2. Basis of preparation

### 2.1 Statement of compliance

The consolidated financial statements are prepared in accordance with the Companies Act 2014 and International Financial Reporting Standards as adopted by the European Union ("IFRS"). As allowed under the Companies Act 2014, the Group opted not to present a separate income statement of the Company as the Group's consolidated income statement already presents the true and fair view of the Company's and its subsidiary's profit or loss for the financial year as a whole.

### 2.2 Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis.

### 2.3 Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The principal uses of judgement and sources of estimation of uncertainty arise with respect to the measurement of aircraft and certain financial liabilities at amortised cost using effective interest method.

The estimates and underlying assumptions are reviewed by the Directors on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Aircraft and engine impairment*

The aircraft owned by the Group have been placed on operating lease with American airline. Due to the economic disruption caused by the COVID-19 coronavirus pandemic, the Group has granted concessions to its airline customers. The highly uncertain economic outlook for the period has (i) impacted the appraised values for the Group's aircraft due to market disruption caused by the COVID-19 pandemic, which resulted in reduced transactional activity; lower sale proceeds achieved on transfer of aircraft and reduced rental rates, and (ii) may have a material adverse effect on certain airlines' operations, the viability of their business and their ability to meet their rental obligations. This uncertainty has been factored into the determination of the significant inputs into the recoverable amount of the Group's aircraft specifically in estimating future replacement/uncontracted rental payments, down time between leases, lessor contributions, residual values and discount rates.

In accordance with IAS 16 - Property, Plant and Equipment, the Group's owned and leased aircraft are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the aircraft may not be recoverable. An impairment review involves consideration as to whether the carrying amount of an aircraft is not recoverable and is in excess of its fair value. In such circumstances, an impairment charge is recognised as a write-down of the carrying amount of the aircraft to the higher of value in use or fair value less cost to sell.

This process involves the use of judgements and estimates. Estimates are utilised in determining the recoverable amount and fair value. The estimates and assumptions used are based on historical trends as well as future expectations due to the global impact of COVID-19 on the Group's airline customers, the Group has utilised the trends in cash receipts from its airline customers from the onset of COVID-19 in March 2020 up to the current period to estimate the anticipated lessee cash inflows for the first twelve months of its value in use calculations. The Group assumed that shortfalls in contractual lease rentals in the first twelve months of the value in use calculations are deemed to be repaid in full over the remainder of the contractual lease periods. For some of these estimates, the Group utilises the services of independent valuation firms to determine the appropriate values.

The Group has utilised judgement in evaluating whether there are indicators of impairment. In this regard, the Directors rely on market conditions and the operational performance of the leased assets. The estimated residual values are based on estimates received from independent appraisers or management's view when supporting transaction data exists. Changes in global and regional economic and political conditions, government regulations, technological changes and other factors could cause the Group to revise the residual value assumptions. The Group evaluates the appropriateness of these judgements and assessments each reporting period.

## Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

### 2. Basis of preparation (continued)

#### 2.3 Use of estimates and judgements (continued)

##### *Residual value and useful economic lives of aircraft and engines*

Estimates and judgements are used in determining the residual value and useful economic life of aircraft and engines. Residual values are zero inflated and based on estimates received from independent appraisers adjusted for the expected maintenance condition of aircraft at re-delivery date. The useful economic life is based on the contractual lease expiry date or the ARD date (seventh anniversary of the Initial Closing Date) which is on 1 February 2025, whichever is earlier. The Group evaluates the appropriateness of these judgements and assessments each reporting period. During the year, the Group revised its estimated residual value with reference to the maintenance adjusted future base values (uninflated) obtained from independent appraisers. As the future depreciation can be affected by several factors, it is not practicable to estimate the effect of the changes on the future periods.

##### *Effective interest rate on financial liabilities*

Estimates and judgements have also been made in relation to expected cash flows for the purpose of measuring financial liabilities at amortised cost using the effective interest method. Expected cash flows are based on the Group's expectation of interest and principal payments to be made over the term of the financial instrument. Due to the limited recourse nature of the instruments, payments will only be made subject to sufficient funds being available from the leasing and subsequent disposal of the aircraft. During the year, the Group performed a review of the future estimated cashflows in accordance with IFRS 9, B5.4.6. In order to determine the future cash flows, various assumptions were used which are in line with the assumptions used for aircraft impairment. The assumed cashflows are based on the currently contracted loan cashflows, senior loan interest, aircraft management and an assumed residual value of the aircraft at the end of the lease based on the average three appraisers.

##### *Deferred tax*

The Group's accounting policy is to recognise deferred tax assets to the extent that they are viewed as being highly probable in terms of recoverability in future periods. The deferred tax asset has been recognised to the extent of deferred tax liability in the current period. However, no net deferred tax asset has been recognised due to the uncertainty in future taxable profits

##### *Investments in subsidiaries impairment*

Investments in subsidiaries are evaluated for impairment in each reporting period, or when there are indicators of impairment as described per IAS 36. Estimates and judgement are used in determining the value in use and fair value of aircraft. The Company estimates value in use and current and future fair values. The estimates and assumptions used are based on historical trends of the market and industry as well as future expectations based on the experience of the Servicer. For the estimates on current and future values, the Company utilises independent appraisers to determine the appropriate inputs. This is calculated using the maintenance adjusted market value of each aircraft plus all the other assets less other liabilities and comparing it to the investments in subsidiaries during the year.

#### 2.4 Functional and presentation currency

These consolidated financial statements are presented in United States Dollars (\$) which is the Group's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

#### 2.5 Going concern

The Group is currently loss making and in a net asset position. Pursuant to the terms of the subordinated loan agreement, Group's obligations are limited to monies received or recovered from the collateral (being the aircraft). The Directors are satisfied that the realisable value of the aircraft will be sufficient to discharge the liabilities and obligations of the Group upon maturity of the loans.

In determining the going concern basis of preparation of the financial statements, the Directors have considered the impact of the COVID-19 has had and continues to have on the Group, its aircraft portfolio, and its customers. The Directors have considered the available resources to the Group through AASET 2014-1 US Limited ("Ultimate Parent") and related forecasts, which show that based on current information that the Group would continue as a going concern for the foreseeable future. On the basis of the above factors, the Directors are satisfied that the going concern basis continues to be appropriate.

## Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

### 3. Significant accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The comparative information presented in these financial statements is for the year ended 31 December 2022.

#### 3.1 New standard, amendment or interpretations not yet adopted

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company is currently assessing the impact of such changes on the consolidated financial statements.

The following amended standards and interpretations are not expected to have significant impact on the Company's financial statements:

Amendments to	Description	Effective for annual periods beginning on or after
IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
IAS & IFRS 7	Disclosures: Supplier Finance Arrangements	1 January 2024
IAS 21	Lack of exchangeability	1 January 2025
IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
IFRS 10 & IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Indefinitely deferred

#### 3.2 New standard, amendment or interpretations adopted during the year

The following amended standards and interpretations are effective during the year but not expected to have a significant impact on the Company's financial statements:

- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

#### 3.3 Aircraft and engines

Aircraft and engines are measured at cost less accumulated depreciation and impairment losses.

Aircraft and engines are assessed for recoverability at each reporting date or whenever events or changes in circumstances indicates that their carrying value may not be recoverable. For the purposes of measuring an impairment loss, each aircraft is tested individually by comparing its carrying amount to the higher of value in use and fair value less cost to sell. Value in use is determined as the total cash flows expected to be generated by an aircraft assuming disposal of the aircraft at the end of the current lease, discounted at a market rate. Fair value is determined based on estimates received from independent appraisers adjusted for the maintenance condition of aircraft at the reporting period end.

Depreciation is calculated using the straight-line method to residual value over the contractual lease term or the ARD date on 1 February 2025, whichever is earlier. Residual values are based on estimates received from independent appraisers adjusted for the expected maintenance condition of aircraft at re-delivery date. The determination of residual values and useful economic life involve significant judgements and estimates. The Company evaluates the appropriateness of these judgements and assessments each reporting period. Depreciation is recognised in the Statement of profit or loss and other comprehensive Income.

## Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

### 3. Significant accounting policies (continued)

#### 3.3 Aircraft and engines (continued)

Modifications or improvements to aircraft and engines are normally expensed. Where such modifications or improvements materially improve the value of the asset or extend its useful life, these are capitalised and depreciated on a straight line basis over the economic life of the asset.

In instances where the purchase of aircraft includes consideration which can be allocated to either the maintenance condition or the value of an acquired lease containing above or below market terms, such allocated costs are recognised as an intangible asset or liability. Intangible lease assets are classified under intangible assets and amortised on a straight-line basis over the term of the related lease as amortisation in the Statement of profit or loss and other comprehensive Income. Intangible maintenance assets and liabilities are classified under intangible assets or intangible liabilities and assessed for impairment at each period end. Intangible maintenance assets and liabilities are released in the Statement of profit or loss and other comprehensive Income at the expiry of the current lease.

#### 3.4 Financial instruments

##### *Recognition*

The Company recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

##### *Classification and measurement*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial instruments. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group assesses the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model and how those risks are managed; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

## Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

### 3. Significant accounting policies (continued)

#### 3.4 Financial instruments (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

#### *De-recognition*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in a transferred financial asset that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or have expired.

#### *Impairment*

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost and debt investments measured at FVOCI. The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The carrying amount of the asset shall be reduced directly. The amount of the loss shall be recognised in the Consolidated Statement of Comprehensive Income.

#### 3.5 Basis of consolidation

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Company's Investments in its subsidiaries are stated at cost less any impairment. The Company reviews its shares in group undertakings for impairment at each reporting date. Impairment testing is the comparison of the carrying value of the investment with its recoverable amount. The recoverable amount is the higher of the investment's fair value or its value in use. Value in use is the present value of expected future cash flows from the investment.

Intercompany transactions balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adapted by the Group.

## Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

### 3. Significant accounting policies (continued)

#### 3.5 Basis of consolidation (continued)

##### *Subsidiaries*

Subsidiaries are entities controlled by the Company. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in its previous subsidiary, then such interest is measured at fair value at the date that control is lost.

##### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. These consolidated financial statements have consolidated the following subsidiaries held by the Company.

##### *Impairment*

The Group determines whether it is necessary to recognise an impairment loss on its investment in its subsidiaries. At each reporting date, the Group determines whether there is objective evidence that the investment in the subsidiary is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value, and then recognises the loss within 'Share of profit of subsidiary' in the statement of profit or loss.

#### 3.6 Revenue

Lease revenues are recognised on a straight line basis over the term of the lease. Amortisation of lease incentive assets is recognised as a reduction of total lease revenue on a straight line basis over the term of the lease.

The Group, as lessor, leases aircraft principally under operating leases and records rental income rateably over the life of the lease as it is earned. The Group accounts for lease rental income under lease agreements on a straight line basis. For lease receivables, an expected credit loss provision may be established on the basis of management's assessment of collectability and to the extent such rentals exceed related security deposits held and would be recorded as an expense in the Consolidated Statement of Comprehensive Income. The Group's lease contracts require payment in advance. Rentals received, but unearned under these lease agreements, are recorded as deferred income on the Consolidated Statement of Financial Position.

#### 3.7 Maintenance reserves

Under certain leases, the Group requires lessees to make regular additional rent payments based on aircraft utilisation. These payments are recorded as lease maintenance reserves on the Statement of Financial Position. In all cases the leases require the lessees to be responsible for maintenance and repairs, including major airframe and engine overhauls (major maintenance events) over the term of the lease.

Under the terms of some leases, the Group is obliged to reimburse the lessee for the cost of major maintenance events (up to the amount of supplemental rent paid).

Maintenance costs incurred when an aircraft is off lease or in excess of maintenance reserves received are recognized as an expense in the period incurred, with the exception of major engine overhauls that increase the value of the asset which are then capitalized.

These maintenance reserves are recorded as non-current liabilities, initially at fair value and subsequently measured at amortised cost, as the scheduled maintenance charges are typically expected to be incurred in more than 12 months from the Statement of Financial Position date.

## Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

### 3. Significant accounting policies (continued)

#### 3.8 Security deposits

Security deposits on leased aircraft are generally paid by the lessee on the execution of the lease and are non-refundable during the term of the lease. The amounts are held as security for the timely and faithful performance by the lessee of its obligations during the lease and are included on the Consolidated Statement of Financial Position. The deposit may be applied against amounts owing from the lessee for rent or returned to the lessee on the termination of the lease. The lease deposits are classified as financial liabilities initially measured at fair value and subsequently at amortised cost.

#### 3.9 Interest income and expense

Interest income and expense is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on an effective interest basis on financial instruments carried at amortised cost.

#### 3.10 Taxation

Corporation tax is provided on taxable profits at current rates applicable to the Group's activities. Deferred taxation is accounted for, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the reporting date except as otherwise required by IAS 12 'Income Tax'. Provision is made at the tax rates which are expected to apply in the periods in which the timing differences reverse. Deferred tax assets are recognised only to the extent that it is considered more likely than not that they will be recovered.

#### 3.11 Foreign currency

Transactions, including income and expenditure, in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign currency closing exchange rate ruling at the reporting date. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

#### 3.12 Inventories

Consignment stock consists of aircraft and engine parts removed from the lease portfolio to be parted out. Consignment stock is stated at the lower of cost and net realisable value (NRV). Cost for each consigned asset is determined based on the sales cashflow forecast of the Company or provided by the consignee. Net realisable value is the amount expected to be received based on the eventual sale or disposal of the consignment parts after deducting any associated costs. Any write-down to NRV will be recognised as an expense in the year in which the write-down occurs. Under the consignment arrangements the Company retains control of the stock until it is sold to the end customer at which point the company recognises revenue from the sale.

### 4. Lease revenue

Lease revenue of \$980,417 (2022: \$4,940,231) comprises of rentals from operating leases based in the United States of America and is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term.

The Group had contracted to receive the following minimum cash lease rentals under the lease agreement:

	31 Dec 2023	31 Dec 2022
	\$	\$
No later than one year	780,000	1,560,000
Due between one and two years	665,167	1,560,000
Due between two and three years	-	130,000
Due between three and four years	-	-
Due between four and five years	-	-
Due after five years	-	-
	<u>1,445,167</u>	<u>3,250,000</u>

## Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

### 5. Interest expense

	Year ended 31 Dec 2023	Year ended 31 Dec 2022
	\$	\$
Interest expense on senior loans	493,499	1,237,182
	<b>493,499</b>	<b>1,237,182</b>
Remeasurement of loans	(1,012,792)	(699,912)
	<b>(1,012,792)</b>	<b>(699,912)</b>

Refer to Note 14 for further details on senior loans and PPLs.

### 6. Profit before taxation

The profit on ordinary activities before taxation is stated after charging:

	Year ended 31 Dec 2023	Year ended 31 Dec 2022
	\$	\$
Audit of consolidated financial statements	8,827	8,827
Other assurance services	-	-
Tax advisory services	1,570	25,658
Other non-audit services	-	-
	<b>10,397</b>	<b>34,485</b>

The Group had no employees during the year (2022: Nil). Maples Fiduciary Services (Ireland) Limited (the "Managing Agent") acts as a corporate administrator to the Group. Pursuant to Section 305 A(1)(a) of the Companies Act 2014 (as amended), Maples Fiduciary Services (Ireland) Limited received a single managing agent and administration fees, including the making available of individuals to act as directors of the Group. The individuals acting as Directors do not receive any fee for acting or having acted as directors of the Group. During the year, the Group incurred a fee of \$37,614 (2022: \$30,551) relating to administration services provided by the Managing Agent. Pursuant to Section 305 A(1)(a) of the Companies Act 2014 (as amended), Maples Fiduciary Services (Ireland) Limited received 10% (2022:10%) as consideration for the making available of individuals to act as Directors of the Group.

### 7. Operating expenses

	Year ended 31 Dec 2023	Year ended 31 Dec 2022
	\$	\$
Depreciation expense	2,953,239	4,815,023
Other expenses	850,950	568,059
	<b>3,804,189</b>	<b>5,383,082</b>

### 8. Tax on profit on ordinary activities

*Analysis of tax charge for the year*

	31 Dec 2023	31 Dec 2022
	\$	\$
Current tax	-	250
Adjustment in respect of prior period	-	(250)
Deferred tax (credit)/charge	(168,244)	445,288
Income tax (credit)/charge	<b>(168,244)</b>	<b>445,288</b>

## Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

### 8. Tax on profit on ordinary activities (continued)

*Factors affecting current tax charge for the year*

The reconciliation of tax on profit on ordinary activities at the standard rate of Irish corporation tax to the Group's actual tax charge is analysed as follows:

	Year ended 31 Dec 2023	Year ended 31 Dec 2022
	\$	\$
Profit/(Loss) before taxation	(672,977)	4,377,156
Profit on ordinary activities multiplied by the standard rate of Irish corporation tax of 25%	(168,244)	1,094,289
<i>Effects of:</i>		
Movement in unrecognised deferred tax asset	-	(649,001)
Income tax (credit)/charge	<u>(168,244)</u>	<u>445,288</u>

*Circumstances affecting current and future tax charges*

The Company is a qualifying company within the meaning of Section 110 of the Taxes Consolidated Acts 1997. As such, the profits of the Company are chargeable to corporation tax under Case III of Schedule D at a rate of 25%. The Company's subsidiaries are limited liability companies in the United States of America and are not subject to taxation.

*Deferred tax*

	Group 31 Dec 2023	Company 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2022
	\$	\$	\$	\$
Deferred tax liabilities (assets)				
Opening deferred tax liability/(asset)	214,263	1,005,974	(231,025)	(855,354)
Deferred tax (credit)/charge for the year	(168,244)	(168,244)	445,288	1,861,328
Closing deferred tax liability	<u>46,019</u>	<u>837,730</u>	<u>214,263</u>	<u>1,005,974</u>

Management have exercised judgment over the decision as to whether a deferred tax asset should be recognised for the year ended 31 December 2023 and concluded that it should be recognised at this point in time. Any deferred tax asset will arise due to unrelieved trading losses and is available to offset against future taxable income of the Group and Company. In order for the Group to recognise these assets, it must be probable that sufficient future taxable profits will be available against which the losses can be utilised. Since the Group and Company are in a deferred liability position, the Directors have concluded that the carried forward losses are fully utilized on 31 December 2023 resulting in a deferred tax liability position.

### 9. Aircraft and related components

**As at 31 December 2023**

	Aircraft \$	Engine \$	Maintenance Intangible Asset \$	Total \$
<i>Cost</i>				
At beginning of year	-	30,544,662	-	30,544,662
Transfers to engine	-	-	-	-
Transfers to inventories	-	-	-	-
Reclassification as non-current asset held for sale	-	(18,729,356)	-	(18,729,356)
Release of intangible on lease termination	-	-	-	-
At end of year/period	<u>-</u>	<u>11,815,306</u>	<u>-</u>	<u>11,815,306</u>
<i>Accumulated depreciation</i>				
At beginning of year	-	22,359,428	-	22,359,428
Transfers to engine	-	-	-	-
Transfers to inventories	-	-	-	-
Depreciation	-	2,953,239	-	2,953,239
Impairment	-	-	-	-
Reclassification as asset held for sale	-	(16,454,356)	-	(16,454,356)
Release of intangible on lease termination	-	-	-	-
At end of year	<u>-</u>	<u>8,858,311</u>	<u>-</u>	<u>8,858,311</u>
<b>Net book value</b>	<u>-</u>	<u>2,956,995</u>	<u>-</u>	<u>2,956,995</u>

## Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

### 9. Aircraft and related components (continued)

As at 31 December 2022

	Aircraft \$	Engine \$	Maintenance Intangible Asset \$	Total \$
<i>Cost</i>				
At beginning of year	61,541,496	-	4,868,151	66,409,647
Transfers to engine	(54,074,852)	54,074,852	-	-
Transfers to inventories	(7,466,644)	-	-	(7,466,644)
Reclassification as non-current asset held for sale	-	(23,530,190)	-	(23,530,190)
Release of intangible on lease termination	-	-	(4,868,151)	(4,868,151)
At end of year/period	-	30,544,662	-	30,544,662
<i>Accumulated depreciation</i>				
At beginning of year	37,696,982	-	834,636	38,531,618
Transfers to engine	(37,126,469)	37,126,469	-	-
Transfers to inventories	(5,085,148)	-	-	(5,085,148)
Depreciation	4,514,635	300,388	-	4,815,023
Impairment	-	2,643,082	-	2,643,082
Reclassification as asset held for sale	-	(17,710,511)	-	(17,710,511)
Release of intangible on lease termination	-	-	(834,636)	(834,636)
At end of year	-	22,359,428	-	22,359,428
<b>Net book value</b>	<b>-</b>	<b>8,185,234</b>	<b>-</b>	<b>8,185,234</b>

The engines are leased to American airlines. In the assessment of impairment, the Group has considered both the engines' current appraised maintenance adjusted market value and their value in use. In determining the engines' value in use, consideration is given to contractual cash flows expected to be received under the current lease arrangements, as well as future proceeds expected from disposal activities at end of lease. For the year ended 31 December 2023, the impairment recognised in the Statement of profit or loss and other comprehensive income amounted to \$nil (2022: \$2,643,082).

Significant judgment is required when evaluating the inputs into the recoverable amount of the Group's assets. Reasonable possible changes at the reporting date to one of the significant inputs, while holding others constant, would have affected the impairment charge recorded by the amounts shown below.

Reasonable possible changes at the reporting date to one of the significant inputs, while holding the others constant, was considered for the variables set out below:

- Discount rate applied +/- 0.5%
- Residual values +/- 10%

Changing the discount rate by +/- 0.5% will not result to a significant impairment change as the maintenance adjusted current market value was used as the recoverable amount being higher than the value-in-use. Changing the residual values by +/- 10% will not result to a change in impairment amount.

The average remaining period of leases is 1.9 years (2022: 2.8 years).

### 10. Non-current asset held for sale

When the lease for the aircraft's engine expired in 25 September 2023 for ESN 733504 (2022: 2 August 2022 and 1 September 2022 for ESN 733507 and ESN 733468, respectively), the Group decided to dispose of the engine. This decision aligns with the Group's strategic asset management plan to optimize its aircraft after lease expiry. The engine was actively marketed for sale. Management was committed to the sale plan, has initiated an active program to locate a buyer and the sale was expected to be completed within one year. As a result, the aircraft has been classified as held for sale at the end of the year. Subsequently, the sale of the engine has been executed as discussed in Note 20 – Subsequent events.

Upon classification as held for sale, the engine was measured at \$2,275,000 (2022: ESN 733507 at \$1,950,000 and ESN 733468 at \$2,050,000), which is the lower of its carrying amount and fair value less costs to sell at 31 December 2023.

There was no impairment recognised for ESN 733504 after classification as asset held for sale (2022: impairment of \$1,130,557 for ESN 733507 and \$689,122 for ESN 733468).

## Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

### 11. Inventories

	Group 31 Dec 2023	Company 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2022
	\$	\$	\$	\$
Opening balance	1,356,255	-	-	-
Reclassification from aircraft	-	-	2,381,496	-
Cost of inventories sold during the year	(156,765)	-	-	-
Write-down on inventories	(308,542)	-	(1,025,241)	-
	<b>890,948</b>	<b>-</b>	<b>1,356,255</b>	<b>-</b>

In 2022, reclassification from aircraft refers to the components and parts of the Company's aircraft which were transferred and reclassified as inventories during the year to be sold on consignment.

During 2023, the write-down on inventories was \$308,542 (2022: \$1,025,241) as a result of net realizable value (NRV) testing on the inventories.

### 12. Trade and other receivables

	Group 31 Dec 2023	Company 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2022
	\$	\$	\$	\$
Related party receivables	1,264,705	-	28,815	-
Deferred income	178,750	-	227,500	-
Consignment receivables	455,407	-	-	-
	<b>1,898,862</b>	<b>-</b>	<b>256,315</b>	<b>-</b>

Related party receivables are repayable on demand and non-interest bearing.

### 13. Investment in Subsidiaries

Subsidiary	Interest	Purchase Price \$	31 Dec 2023 Carrying value \$	31 Dec 2022 Carrying value \$	Ownership %	Country of Formation	Principal Activity
SASOF II (H), LP	Limited Partner	64,092,751	38,009,257	40,085,133	100%	United States of America	Aircraft leasing
SASOF II, LLC	Membership interest	15,759,503	38	38			

On 1 February 2018, the Company acquired 100% of the membership interests in SASOF II, LLC and SASOF II (H), LLC for a cost of \$15,759,503 and \$64,092,751, respectively. The entities acquired are principally engaged in aircraft leasing activities, and own aircraft on lease to global airlines.

In June 2018, SASOF II, LLC distributed substantially all its assets to the Company. On 12 August 2018, SASOF II (H), LLC converted into a limited partnership and changed its name to SASOF II (H), LP. In relation to the conversion, the Company acquired 100% membership interests of a newly formed limited liability company called SASOF II (H) GP, LLC.

Investment in subsidiaries are accounted for under the cost method of accounting, whereby, the investments are initially recognised at cost and subsequently measured at the lower of their carrying amount and recoverable amount. If the recoverable amount is lower than the carrying amount, an impairment charge is recognised.

As at the period ended 31 December 2023, the Company recognised investment in subsidiaries totalling to \$38,009,257 (2022: \$40,085,133) net of impairment. For the year ended 31 December 2023, the Company recognised impairment of \$2,075,876 (2022: \$nil). Impairment arises in the year due to investment in subsidiaries amount being less than the carrying amount. Recoverable amount of investments in subsidiaries amounted to \$38,009,295 (2022: \$42,551,401) determined based on income approach as per IAS 36. Refer to Note 2.3 for the assumptions and judgement used in calculating the impairment.

## Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

### 14. Loans and borrowings

	<b>Group and Company 31 Dec 2023</b>	<b>Group and Company 31 Dec 2022</b>
	<b>\$</b>	<b>\$</b>
Opening balance	11,765,484	29,871,637
Senior loans interest for the year	493,499	1,237,182
Remeasurement of loans	(1,012,792)	(699,912)
Repayments for the year	(4,583,729)	(18,643,423)
Closing balance	<b>6,662,462</b>	<b>11,765,484</b>

On 1 February 2018, the Group and Company issued a promissory note for value of \$64,092,751 to AASET 2014-1 US Limited, a Cayman company. The note issued has a contractual maturity date of 15 January 2043 and bears interest rate as follows:

	<b>Original Principal Sum</b>	<b>Interest Rate</b>
	<b>\$</b>	<b>%</b>
Class A Loan	6,340,427	4.076%
Class B Loan	322,035	5.906%
Class C Loan	-	7.350%
Class E Loan	-	*
	<b>6,662,462</b>	

\*Payments due under the Class E loan are equal to the amounts available to the Group and Company to make payments thereon after the payment of principal, interests on the loans, and expenses of the Company. On 15 February 2018, the promissory note was assigned to Mitchell Aviation Investment SARL. All amounts payable under the promissory note are not due and payable until 15 January 2043.

During the year, the Class A, B, C and E loans, and the corresponding accrued interests have been remeasured resulting to a gain of \$1,012,792 (2022: \$699,912). This gain represents the shortfall in the estimated future cash flows available for repayment of the loans. This remeasurement as required by IFRS 9 does not extinguish the legal obligation of the company under the loan agreements.

The repayments on the facilities are:

	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$</b>	<b>\$</b>
Within one year	-	-
Between one and two years	6,662,462	-
More than two years but less than five years	-	11,765,484
Later than five years	-	-
<b>Total</b>	<b>6,662,462</b>	<b>11,765,484</b>

On initial recognition, Class E loan are fair valued and subsequently measured at amortised cost. As noted in the estimates and judgement section of the financial statements, directors are able to estimate future cash flows in the current period as they are able to determine the future plan with respect to aircraft portfolio and related income and costs.

## Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

### 14. Loans and borrowings (continued)

As a result of the cash flow projection, EIR rate of 66.02% was determined based on which interest has been accrued. In order to estimate the future cash flows, directors used the following approach/ information:

Valuation techniques	Significant inputs	Relationship between significant inputs and carrying amount re-measurement
Discounted cash flows: The re-measurement of the E Note and Senior Notes considers the discounted cash outflows expected to be paid taking into account changes in contracted in contracted lease rates, future projected lease rates, net maintenance flows, downtime between leases, transition costs, estimated residual values, economic conditions and technological development. The expected cash outflows are discounted at the original EIR as determined at the issuance of the E Note and Senior Notes.	<ul style="list-style-type: none"> <li>Contracted lease rates reflect all concessions granted during the financial year.</li> <li>Future lease rates (where the re-lease scenario is assumed) and estimated residual values are based on the average of three external independent appraisers' estimates for these amounts.</li> <li>Down time between leases and transition costs are based on historical experience observed by the Managing Agent (with input from the Servicer as appropriate).</li> <li>With respect to AOG, the inputs used reflect the Servicer's best estimate of when the aircraft will be back on lease and their best estimate of the re-lease rate and term.</li> <li>The timing and the expected cost of maintenance events have been estimated based on the forecasts provided by the external independent maintenance evaluator (with input from the Servicer as appropriate).</li> <li>EIR rate applied for the E note was 66.02% and EIR for the Senior Notes were applied as noted above.</li> </ul>	Carrying amount of the E Note and Senior Notes would increase/(decrease) if: <ul style="list-style-type: none"> <li>Lease rates collected were higher/(lower) than currently contracted.</li> <li>Future lease rates and/or residual values grow more/(less) than expected.</li> <li>Downtime between leases and transition costs are less/(more) than expected.</li> </ul>

Significant judgment is required when evaluating the inputs into the re-measurement of the E Loan. Reasonable possible changes at the reporting date to one of the significant inputs, while holding others constant, would have affected the re-measurement charge recorded by the amounts shown below. The effect of the COVID-19 pandemic has meant that the range of possible changes is wider for 2022 than for the comparative financial period.

The E loan was remeasured and reduced to zero in 2021 due to insufficiency of future cash flows available for payment for the E loan which is the same assessment in 2022 and 2023. Due to this, no interest on E loan is accrued during the year, and it would not be affected by changes to significant inputs.

### 15. Other payables

	Group 31 Dec 2023	Company 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2022
	\$	\$	\$	\$
Related party payables	-	30,067,788	-	24,291,789
Other payables	65,000	-	-	-
Corporation tax payable	1,000	1,000	1,000	1,000
	<b>66,000</b>	<b>30,068,788</b>	<b>1,000</b>	<b>24,292,789</b>

Related party payables are repayable on demand and non-interest bearing. The other payable represents a security deposit due back to the lessee on termination of the lease during the year. The payable was settled post year-end.

## Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

### 16. Called up share capital

	Group and Company 31 Dec 2023 \$	Group and Company 31 Dec 2022 \$
<i>Authorised share capital</i> 100,000 shares of \$1 each	100,000	100,000
<i>Issued share capital</i> 1 shares of \$1 each	1	1

The share capital of the Company was originally held by MaplesFS Trustees Ireland. On 1 February 2018, the share capital of the Company was transferred to AASET 2014-1 US Limited, the Company's ultimate holding company and controlling party. The ultimate holding company is a private limited liability company governed by the laws of Cayman Islands. On 15 February 2018, the share capital was assigned to Mitchell Aviation Investment SARL, the Company's holding company.

### 17. Related party transactions

During the year, the Group incurred management fees to the Servicer of \$240,000 (2022: \$240,000). The Servicer manages the relevant activities of the Group, including portfolio management and maintenance, lease servicing, and aircraft marketing. At the end of the year, the Group held a payable balance with AASET 2014-1 US Limited of \$1,128,793 (2022: \$951,270) and a receivable balance of \$2,393,498 (2022: \$980,085) with AASET 2014-1 International Limited, a private limited liability company governed by the laws of the Cayman Islands while the Company held a net payable balance with AASET 2014-1 International Limited, AASET 2014-1 US Limited and SASOF II (H), LP of \$30,067,788 (2022: \$24,291,789). As outlined in note 15, the Company's loan payable is owed to its holding company.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly of that entity. Key management personnel for the Group are the Directors. During the year, the Group incurred a fee of \$20,000 (2022: \$20,000) which is paid by the immediate holding company relating to administration services provided by the Managing Agent. Pursuant to Section 305A(1)(a) of the Companies Act 2014, the Managing Agent received 10% (2022: 10%) as consideration for the making available individuals to act as Directors of the Company. There were no other related party transactions during the year ended 31 December 2023.

### 18. Financial risk management

The Group has exposure to the following risks:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Asset risk

#### *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group operates as an aircraft lessor. If a lessee experiences financial difficulties, this may result in defaults or the early termination of the leases. The Directors mitigate this risk by putting in place appropriate settlement conditions in the event of default or early termination of the lease by the Lessees, as detailed in the lease agreements. The Group monitors the performance of the Lessees on an ongoing basis and the lease receivable balances were nil at the end of the accounting year. The Group manages its exposure to credit risk by placing all cash with Bank of Ireland, a recognised financial institution.

The Group's exposure to credit risk arising from its leasing arrangements with its airline customers is influenced by the strategic, financing and operating characteristics of each airline-lessee customer. The Board, with input from the Servicer, considers these characteristics and other factors that may affect the credit risk of its airline-lessee customer base including risk associated with the country, countries and/or geographic regions in which they operate.

The Servicer analyses and assesses the creditworthiness of existing and new airline-lessee customers of the Group. This analysis includes consideration of external ratings (where available), financial statements, industry and other information. The Group manages the creditworthiness of its airline-lessee customers by collecting security deposits of varying amounts as appropriate.

## Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

### 18. Financial risk management (continued)

#### *Credit risk (continued)*

The Company applied IFRS 9 simplified approach to measuring expected credit losses ("ECLs") for trade receivables which uses a lifetime expected loss allowance for all trade receivables from rental of aircraft. The letters of credit and security deposits from lessees are considered an integral part of the model and calculation of impairment. For trade receivables from aircraft on lease, a lifetime expected loss allowance of \$nil was recognized as at the year ended 31 December 2023 and 2022. This amount represents the Company's expectation of credit losses on amounts receivable at the reporting date, net of security deposits and letters of credit held by the Company. As per the accounting policy, lease maintenance reserves are recorded as a liability in the Statement of Financial Position. Any related supplemental rental receivable at year end is not subject to credit risk because of the Company's obligation to pay from the lease maintenance reserves to the extent of the cash collected from the lessee.

The simplified approach is adopted for all related party receivables. Management has concluded that any ECL is immaterial.

#### *Market risk*

Market risk is the risk that changes in market prices, such as aircraft value, foreign exchange rates and interest rates will affect the Group's income or the value of its holding of financial instruments. Market risk of this Group is more related to asset risk in aircraft values. The aircraft value is managed through engaging the service to manage the Group's assets, monitor the lease arrangements and negotiate the sale or release of the aircraft.

#### Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The functional currency of the aviation industry is predominantly U.S. dollars. The Group's exposure to currency risk as at 31 December 2023 and 2022 is not significant.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not bear any significant interest rate risk as the Series A, Series B and Series C Notes as these loans bear fixed rate of interest and the Company receives fixed rental income from the Lessee under the lease agreement. The interest rate risk on Series PPL is passed to the noteholder since interest is limited by taxable profits over the life of the instrument.

The interest rate profile of the Group's financial assets and liabilities at 31 December 2023 and 2022 was:

#### Group

##### 31 December 2023

	Fixed rate \$	Floating rate \$	Non-interest bearing \$	Total \$
<b>Financial assets</b>				
Cash and cash equivalents	-	-	-	-
Other receivables	-	-	1,720,112	1,720,112
	-	-	<b>1,720,112</b>	<b>1,720,112</b>
<b>Financial liabilities</b>				
Loans and borrowings	(6,662,462)	-	-	(6,662,462)
Security deposit	-	-	(65,000)	(65,000)
Other payables	-	-	(66,000)	(66,000)
	<b>(6,662,462)</b>	-	<b>(131,000)</b>	<b>(6,793,462)</b>
<b>Net interest position</b>	<b>(6,662,462)</b>	-	<b>1,589,112</b>	<b>(5,073,350)</b>

##### 31 December 2022

	Fixed rate \$	Floating rate \$	Non-interest bearing \$	Total \$
<b>Financial assets</b>				
Cash and cash equivalents	-	-	-	-
Other receivables	-	-	28,815	28,815
	-	-	<b>28,815</b>	<b>28,815</b>
<b>Financial liabilities</b>				
Loans and borrowings	(11,765,484)	-	-	(11,765,484)
Security deposit	-	-	(130,000)	(130,000)
Other payables	-	-	(1,000)	(1,000)
	<b>(11,765,484)</b>	-	<b>(131,000)</b>	<b>(11,896,484)</b>
<b>Net interest position</b>	<b>(11,765,484)</b>	-	<b>(102,185)</b>	<b>(11,867,669)</b>

## Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

### 18. Financial risk management (continued)

#### Interest rate risk (continued)

##### Company

31 December 2023	Fixed rate \$	Floating rate \$	Non-interest bearing \$	Total \$
<b>Financial assets</b>				
Other receivables	-	-	-	-
<b>Financial liabilities</b>				
Loans and borrowings	(6,662,462)	-	-	(6,662,462)
Other payables	-	-	(30,068,788)	(30,068,788)
	<b>(6,662,462)</b>	<b>-</b>	<b>(30,068,788)</b>	<b>(36,731,250)</b>
<b>Net interest position</b>	<b>(6,662,462)</b>	<b>-</b>	<b>(30,068,788)</b>	<b>(36,731,250)</b>
31 December 2022	Fixed rate \$	Floating rate \$	Non-interest bearing \$	Total \$
<b>Financial assets</b>				
Other receivables	-	-	-	-
<b>Financial liabilities</b>				
Loans and borrowings	(11,765,484)	-	-	(11,765,484)
Other payables	-	-	(24,292,789)	(24,292,789)
	<b>(11,765,484)</b>	<b>-</b>	<b>(24,292,789)</b>	<b>(36,058,273)</b>
<b>Net interest position</b>	<b>(11,765,484)</b>	<b>-</b>	<b>(24,292,789)</b>	<b>(36,058,273)</b>

#### *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions (such as those currently being experienced as a consequence of the impact that the COVID-19 pandemic is having on the Group's airline-lessee customers), without incurring unacceptable losses or damaging the Group's reputation.

In accordance with the terms of the Group's borrowings with its parent, all amounts due on the Series A, Series B, Series C and E Notes are recourse only to the available assets of the Group. The table below shows the undiscounted contractual cash flows of the Group's financial liabilities as at 31 December 2023 and 2022:

#### Group

31 December 2023	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Greater than 5 years \$	Total cash flows \$	Total carrying value \$
<b>Financial liabilities</b>						
Loans and borrowings	-	6,662,462	-	-	6,662,462	6,662,462
Security deposit	-	65,000	-	-	65,000	65,000
Other payables	1,000	65,000	-	-	66,000	66,000
<b>Total</b>	<b>1,000</b>	<b>6,792,462</b>	<b>-</b>	<b>-</b>	<b>6,793,462</b>	<b>6,793,462</b>
31 December 2022	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Greater than 5 years \$	Total cash flows \$	Total carrying value \$
<b>Financial liabilities</b>						
Loans and borrowings	-	-	11,765,484	-	11,765,484	11,765,484
Security deposit	-	-	130,000	-	130,000	130,000
Other payables	1,000	-	-	-	1,000	1,000
<b>Total</b>	<b>1,000</b>	<b>-</b>	<b>11,895,484</b>	<b>-</b>	<b>11,896,484</b>	<b>11,896,484</b>

## Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

### 18. Financial risk management (continued)

#### Liquidity risk (continued)

##### Company

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Greater than 5 years \$	Total cash flows \$	Total carrying value \$
<b>31 December 2023</b>						
<b>Financial liabilities</b>						
Loans and borrowings	-	6,662,462	-	-	6,662,462	6,662,462
Other payables	30,068,788	-	-	-	30,068,788	30,068,788
<b>Total</b>	<b>30,068,788</b>	<b>6,662,462</b>	<b>-</b>	<b>-</b>	<b>36,731,250</b>	<b>36,731,250</b>
	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Greater than 5 years \$	Total cash flows \$	Total carrying value \$
<b>31 December 2022</b>						
<b>Financial liabilities</b>						
Loans and borrowings	-	-	11,765,484	-	11,765,484	11,765,484
Other payables	24,292,789	-	-	-	24,292,789	24,292,789
<b>Total</b>	<b>24,292,789</b>	<b>-</b>	<b>11,765,484</b>	<b>-</b>	<b>36,058,273</b>	<b>36,058,273</b>

The Group's exposure to liquidity risk is mitigated as the notes are limited recourse.

#### Credit facilities

On 1 February 2018 the Group's Ultimate Parent entered into a revolving credit agreement to provide additional funds for the payment of certain liabilities if and to the extent that insufficient funds are available in the form of periodic revenues. The Group benefits from the revolving credit agreement through support from its Ultimate Parent that can provide the proceeds of any drawdowns as required by the Group to meet its obligations as they fall due.

Under the terms of the Revolving Credit Agreement with the Group's Ultimate Parent, MUFG Bank, Ltd., as Liquidity Provider, has provided a credit facility to the Group's Ultimate Parent of up to \$1.5 million as at 31 December 2023 which may be drawn upon, subject to certain conditions, to pay interest on the Series A and B Notes and certain other expenses. Upon each drawing under the Liquidity Facility, the Group's Ultimate Parent will be required to reimburse the Liquidity Facility Provider for the amount of such drawing in accordance with the priority of payments specified in the Trust Indenture. The repayment of the liquidity facility amounts is junior to the payment of interest on the Series A and B Notes on subsequent payment dates for the Group's Ultimate Parent. No amount has been drawn under this liquidity facility by the Group's Ultimate Parent as of 31 December 2023 or as of the date of approval of these financial statements.

#### Operational risk

Operational risk is the risk of indirect or direct loss arising from a wide variety of causes associated with the Group's operations. The Group's objective is to manage operational risk and does so primarily by outsourcing all administration functions to a professional service provider.

The Group was incorporated with the purpose of engaging in those activities outlined in the Directors' Report. All administration functions are outsourced to the Managing Agent.

#### Technical maintenance and environmental risk

Technical, maintenance and environmental risk is the risk that a lessee undertakes responsibility for ensuring that the aircraft complies with current environmental, technical and maintenance regulations and statutory obligations as applicable. The Directors monitor these risks in conjunction with the Servicer under a servicing agreement.

#### Public liability risk

Public liability risk is the risk that a lessee is responsible for ensuring that the aircraft has adequate insurance cover, and the Directors have put appropriate monitoring systems in place, through the servicing agreement, to ensure that the lessee remains compliant.

#### Impact of COVID-19

The Group's financial performance is significantly impacted by the COVID-19 Pandemic. The virus continues to spread around the globe. Consequently, authorities maintain widespread travel restrictions. The global financial markets reacted sharply to this pandemic, but much of this subsequently recovered. The pandemic is expected to have a material impact on the aviation industry, and by extension the aircraft leasing sector. The Directors, in conjunction with the Managing Agent and the Servicer, continue to monitor the risk that the impact of COVID-19 may have on the activities of the Group as the situation develops and facts become clearer. Further detail is disclosed within Note 2 to the financial statements.

## Mitchell Aviation Investment Company Designated Activity Company

Notes to the consolidated financial statements

### 18. Financial risk management (continued)

#### Asset risk

The Group bears the risk of re-leasing or selling the aircraft at the end of its lease term. If demand for aircraft decreases or the average fleet age increases, or market lease rates decrease, this could affect market value. The Directors have engaged the Servicer as asset and leasing manager, who has appropriate experience of the aviation industry, to manage, remarket or sell the aircraft as required in order to reduce this risk.

The Directors note that the Covid-19 outbreak may impact the operations of the Group. However, the lessees have committed to lease agreements which guarantees cash flow for the medium term. The Directors will continue to monitor the impact of the outbreak on the activities of the Company.

### 19. Fair value

The fair value of a financial asset and liability is the amount at which it could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced sale or liquidation. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable outputs).

The fair value of the financial liabilities is determined by reference to the value of the Group's assets less the value of all other liabilities and equity of the Group. Since the financial liabilities are of limited recourse, the amounts ultimately repayable to the lender are restricted to the excess of the assets, excluding accumulated retained profits, over the other liabilities and equity of the Group. As such, the fair value of the financial liabilities is equal to the excess of the value of the assets of the Group, excluding accumulated retained profits, over the value of its liabilities. In determining the value of the Group's assets, the Directors have considered the current appraised maintenance adjusted market value of each aircraft. As such, the fair value of financial liabilities is considered to be Level 3 on the fair value hierarchy.

For the years ended 31 December 2023 and 2022, cash and cash equivalents was classified as level 1, and intercompany receivables, other receivables and other payables were classified within level 2 of the fair value hierarchy. These financial assets and financial liabilities carrying values approximate to fair value due to short term in maturity. Carrying values of security deposits and lease maintenance reserves approximate to fair value due to the Company's obligation to return or offset these liabilities on lessees' request.

#### Group and Company

31 December 2023	Level 1 \$	Level 2 \$	Level 3 \$	Fair value \$	Carrying value \$
<b>Financial liabilities</b>					
Loans and borrowings	-	-	4,009,935	4,009,935	6,662,462
31 December 2022	Level 1 \$	Level 2 \$	Level 3 \$	Fair value \$	Carrying value \$
<b>Financial liabilities</b>					
Loans and borrowings	-	-	16,776,042	16,776,042	11,765,484

### 20. Subsequent events

On 16 February 2024, ESN 733504 was sold to an external party. There have been no other significant events after the period end that would require adjustment or disclosure in these consolidated financial statements.

### 21. Approval of consolidated financial statements

The Board of Directors approved these consolidated financial statements on 20 January 2026.