AIR FUTURE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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AIR FUTURE LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
DIRECTORY
FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS:	The following were directors of Air Future Ltd during the whole of the year and up to the date of this report: Russell Fitts (Chairman) Michael Kain Peter Macaulay
PRINCIPAL ACTIVITIES:	Air Future Limited is incubating and commercialising the MDI transport, electricity generation and energy storage technology within New Zealand, Australia and the Pacific Islands.
AUDITORS:	Baker Tilly Staples Rodway Audit Limited
BANKERS:	Westpac New Zealand Ltd
COMPANY NUMBER:	899632
REGISTERED OFFICE:	54 Holly Road, Saint Albans Christchurch 8014

AIR FUTURE LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
APPROVAL BY DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are pleased to present the consolidated financial statements of Air Future Limited and Group for the year ended 31 December 2022 on pages 4 to 26.

The directors authorised the issue of these consolidated financial statements on 19 May 2023.

Director R H Fitts

Director G M Kain

For and on behalf of the Board of Directors

Air Future Limited
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2022

	Note	Group 2022 $	Group 2021 $
Revenue		1,754	-
Expenses	5	(211,203)	(303,684)
Employee Benefit Expenses		(677,310)	(560,782)
Finance expenses		(22,370)	(20,862)
Equity settled share-based payments	7	(489,614)	(38,265)
Profit (loss) before income tax		(1,398,743)	(923,593)
Profit (loss) from operations		(1,398,743)	(923,593)
Foreign Currency Translation Movement		(24,521)	46,218
Total comprehensive Income/(loss)		(1,423,264)	(877,375)
Net Profit (Loss) and total comprehensive income/(loss) attributable to:			
Parent Shareholders		(1,131,381)	(691,384)
Non-controlling interests		(291,883)	(185,991)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements on pages 8 to 26.

BTSR

Air Future Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2022

	Contributed Equity	Equity Settled Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$
Balance as at 1 January 2021	21,310,126	1,333,067		(28,493,049)	(5,849,856)
Loss for the year				(923,593)	(923,593)
Foreign Currency Translation Movement			46,218		46,218
Total comprehensive income for the year			46,218	(923,593)	(877,375)
Transactions with owners in their capacity as owners:					
Contributions	231,070				231,070
Share based payments movement	-	172,278		168,235 -	4,043
Total transactions with owners in their capacity as owners	231,070 -	172,278	-	168,235	227,027
Balance as at 31 December 2021	21,541,196	1,160,789	46,218	(29,248,407)	(6,500,204)
Parent shareholders' equity					(5,446,475)
Minority interest equity					(1,053,729)
Total Equity					(6,500,204)
Balance as at 1 January 2022	21,541,196	1,160,789	46,218	(29,248,407)	(6,500,204)
Loss for the year				(1,398,743)	(1,398,743)
Foreign Currency Translation Movement			(24,521)		(24,521)
Total comprehensive income for the year		-	(24,521)	(1,398,743)	(1,423,264)
Transactions with owners in their capacity as owners:					
Contributions	318,578				318,578
Share based payments movement		488,257		-	488,257
Total transactions with owners in their capacity as owners	318,578	488,257	-	-	806,835
Balance as at 31 December 2022	21,859,774	1,649,046	21,697	(30,647,150)	(7,116,633)
Parent shareholders' equity					(6,020,765)
Minority interest equity					(1,095,868)
Total Equity					(7,116,633)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements on pages 8 to 26.

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Air Future Limited
Consolidated Statement of Financial Position
For the year ended 31 December 2022

	Note	Group 2022 $	Group 2021 $
ASSETS			
Current assets			
Cash and cash equivalents		-	-
Trade and other receivables	11	3,923	3,829
Total current assets		3,923	3,829
Non-current assets			
Property, plant and equipment	12	-	-
Intangible assets	13		-
Advance to MDI SA	15		-
Total non-current assets		-	-
Total assets		3,923	3,829
LIABILITES			
Current liabilities			
Bank overdraft	10	17,811	18,681
Trade and other payables	16	5,064,117	4,394,405
Government Grants Repayable		13,109	38,663
Government Loans Repayable	18	9,801	15,400
Unsecured advances	17	149,135	139,624
Loans from Directors	19	1,866,583	1,897,260
Total current liabilities		7,120,557	6,504,033
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities		7,120,557	6,504,033
Net assets (liabilities)		(7,116,633)	(6,500,204)
EQUITY			
Contributed equity	7	21,859,774	21,541,196
Equity settled options reserve		1,649,046	1,160,789
Foreign Currency Translation Reserve		21,697	46,218
Accumulated losses	8	(30,647,150)	(29,248,407)
		(7,116,633)	(6,500,204)
Parent shareholders' equity		(6,020,765)	(5,446,475)
Non Controlling Interest	9	(1,095,868)	(1,053,729)
Total equity		(7,116,633)	(6,500,204)

The above consolidated statement of financial position should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements on pages 8 to 26.

Air Future Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2022

	Note	Group 2022	Group 2021
Cash Flows from Operating Activities			
Cash was provided from (applied to):			
Interest		254	
Payments to employees and suppliers		(244,679)	(253,931)
GST		1,406	(10,489)
Interest paid		(22,370)	(20,862)
Net cash from operating activities	21	(265,389)	(285,282)
Cash Flows from Financing Activities			
Cash was provided from /(applied to):			
Proceeds from issue of shares in parent		318,578	205,950
Unsecured advances proceeds/(repaid)	17	9,511	(5,925)
Directors' loans proceeds/(repaid)	19	(30,677)	81,642
Government Subsidy proceeds/ (repaid)		(31,153)	
Net cash flows from financing activities		266,259	281,667
Net increase (decrease) in cash and cash equivalents		870	(3,614)
Cash and cash equivalents at beginning of period		(18,681)	(15,067)
Cash and cash equivalents (bank overdraft) at end of period	10	(17,811)	(18,681)

The above consolidated statement of cashflows should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements on pages 8 to 26.

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Air Future Limited
Notes to the Consolidated Financial Statements
For the year ended 31 December 2022

1 General information

Air Future Limited (the Company) is a public unlisted limited liability Company. It is incorporated and domiciled in New Zealand. The reporting entity is the Group comprising the Company and its subsidiaries.

The Group holds rights in respect of the MDI compressed air engine technology for the territory of Australia, New Zealand and the Pacific Islands.

The Group's principal revenues are intended to come by way of dividends that will be derived through the commercialisation of the MDI transport, electricity generation and energy storage technologies through downstream ventures.

The principal asset of Air Future Limited is its 85% shareholding in Air Future Group Pty Ltd. (AFG) Air Future Group Pty Ltd's principal assets are shareholdings in Air Volution Ltd (73%) and Air to Energy Pty Ltd (61%).

In addition, Air Future Ltd holds a five year exclusive right, to the production licenses as per the MDI Industrialisation Concept for the MDI Air Pod, Air One/Air City, Air Generator and Air Wall products within its licence territory of Australia, New Zealand and the Pacific Islands. This five year right was granted on 13 August 2018.

Air Volution Ltd holds options to the rights to purchase the licences required for 3 MDI vehicle manufacturing plants. Air to Energy Pty Ltd holds options to the rights to purchase the licences required for the energy and energy storage applications. The licence area includes Australia, New Zealand and the Pacific Islands. Licences are for a renewable period of 20 years.

Factory license agreements are between a licensee and MDI. Each licence provides for the production line, manufacturing, tooling equipment and initial operational instructions to be provided by MDI. Ongoing operational assistance is provided including regular auditing of factories operations and systems. Royalties of 10% are paid to MDI on the sale price of the products.

AFG seeks to develop numerous factories spanning both vehicles, electricity generation products and energy storage. Initial factories will have broader region and export capability to generate early viability and break even. That market includes MDI's own expressions of interest customers. Factories can readily produce right hand or left-hand vehicles.

The Group's principal expenditure is for early-stage market development. This will remain an ongoing requirement until such time as revenues meet the ongoing expenditure.

The address of its registered office at Balance Date is 54 Holly Road, St Albans Christchurch, New Zealand.

These Consolidated Financial Statements have been approved for issue by the Board of Directors on 19 May 2023. The Group's directors do not have the power to amend these consolidated financial statements once issued.

2 Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice (GAAP) in New Zealand. They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for-profit oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

(a) Basis of preparation

The financial statements have been prepared on a realisation basis as the directors are of the view that due to significant uncertainty over future funding of the Company, neither the Company nor the Group can be considered a going concern.

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

Entity reporting
The Group is designated as a profit-oriented entity for financial reporting purposes.

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Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in New Zealand dollars, which is the Company's functional currency and the Group's presentation currency. Amounts are rounded to the nearest whole dollar.

Statutory base
Air Future Limited is a company registered under the Companies Act 1993.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Financial Markets Conduct Act 2013 and the Companies Act 1993.

Adoption of new and revised Standards and Interpretations
The Group adopted all mandatory new and amended standards and interpretations in the current year. None of the new and amended standards and interpretations had a material impact on the measurement of the Group's assets and liabilities.

New Accounting standards and interpretations issued but not yet adopted
At the date of authorisation of these Financial Statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at Balance Sheet date, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments and has determined that there would be no material impact to the amounts recognised or disclosed in the financial statements.
The only standard likely to impact these consolidated financial statements is the amendment to NZIAS 1 affecting the definition of accounting estimates, the disclosure of accounting policies and the classification of the liabilities as current and non-current.

Historical cost convention
These financial statements have been prepared under the historical cost convention, except as modified by the impairment of certain assets as identified in the specific accounting policies below.

(b) Critical accounting estimates

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(c) Realisation basis

The Group is reliant on future capital raising to provide funding for its market development ambitions. As the success of this future capital raising is not certain, the financial statements have been prepared on a realisation basis. Refer to note 3 for further details.

(d) Consolidation of subsidiaries

The Group financial statements consolidate the financial statements of subsidiaries using the purchase method. Subsidiaries are entities that are controlled, either directly or indirectly by the parent. All intra-group balances and transactions between subsidiaries or between the parent and subsidiaries are eliminated on consolidation.

(e) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of non-monetary items, such as equities classified as available-for-sale financial assets, would be included in an available for sale reserve in equity.

(f) Revenue recognition
Revenue comprises the fair value for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts.

(g) Goods and Service Tax (GST)

The statement of comprehensive income and statement of cash flows have been prepared so that all components are stated exclusive of GST, unless otherwise stated. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables which include GST invoiced.

(h) Income tax

The income tax expense or income for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is only recognised to the extent that it is probable that future tax profits will be available against which the asset can be utilised.
No deferred tax balances are recognised in these financial statements as the Directors are aware of the uncertainty relating to generating future taxable profits in the 12 months from signing of these financial statements. Director's will reassess this on an annual basis.

(i) Property, plant and equipment

Property, plant & equipment: Leasehold improvements, office furniture, plant and equipment are recorded at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company or Group and the cost can be measured reliably.

All costs incurred for purchasing of non-current assets are expenses at the time of purchase unless the non-current assets bought are of significant nature in which case assets are impaired to nil value at balance in order to be consistent with the realisation basis of accounting.

The gain or loss arising from the sale of property, plant or equipment is recognised in the statement of comprehensive income within "Expenses". The gain or loss is calculated as the difference between the carrying value at the time of sale and the sale proceeds.

Property, plant & equipment assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Intangible assets

Option to Licence
The MDI Enterprise SA Option has, subject to periodic extensions, an indefinite life and is carried at cost less impairment losses

(k) Investments and other financial assets

The Group classifies its investments as loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. 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.

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Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset and becomes of ceases to be a party to the contractual provisions of the instrument. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Income Statement. Financial assets are recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are initially recognised at fair value net of transaction costs and subsequently carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(l) Impairment of intangible assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Refer to the Preparation of financial statements on a realisation basis paragraph under note 3 for further detail.

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown in current liabilities on the statement of financial position.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

All borrowings are classified as current liabilities due to the application of realisation basis of accounting.

(p) Leased assets

Air Future Limited assesses at contract inception whether a contract is or contains a lease. The company leases its office premises from a director. The lease is considered as a short-term lease for the reporting purposes. Consequently, a right of use asset and a corresponding lease liability is not recorded on the balance sheet. The rental payments are expenses in the period that are incurred. Operating expenses are recognised on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from leased assets are consumed.

(q) Foreign currency transactions

Foreign currency transactions are initially recorded by the Group's entities at their respective functional currency spot rates at the date of the transaction.

On consolidation, an average spot rate for the year is applied to the statements of comprehensive income. Assets and liabilities denominated in foreign currencies are translated at the functional currency of the spot rates of exchange at the reporting date.

Exchange differences arising on translation for consolidation are recognised in other comprehensive income.

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(r) Employee benefits

Short-term employee benefits that are due to be settled within 12 months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries accrued up to reporting date and annual leave earned but not yet taken. There are no long-term employee benefits, such as retirement or long service leave, payable to employees.

(s) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, from the proceeds.

(t) Share based payments

The Group measures the costs of equity-settled transactions with employees and directors by reference to the fair value of the equity instruments at the date on which they were granted.

(u) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The company only has one segment.

(v) Change in accounting policies

There were no changes in accounting policies during the year ended 31 December 2022.

3 Critical accounting estimates and judgements

Preparation of financial statements on a realisation basis
The financial statements have been prepared on the basis of realising the assets and liabilities. The Group and Company is reliant on future capital raising to provide funding for the continuing market development ambitions. As the success of this future capital raising is not certain, the directors considered it prudent to prepare the 31 December 2007 to 31 December 2021 financial statements on a realisation basis. The Directors consider that due to the success of future capital raising still not being certain that it is prudent to continue to prepare the 31 December 2022 financial statements on a realisation basis.
The impact of applying a realisation basis on the year ended 31 December 2022 financial statements is as follows:

Provision against advance to MDI SA
Due to the inherent uncertainty of recoverability of the advance to MDI SA, $887,157 (2021 $899,686), due to MDI SA not yet having commenced independent commercial operations, the directors in 2007 approved the write down of the advance to MDI SA to nil. The Directors have reassessed this at balance date and still maintain the view that due to the continued inherent uncertainty of recoverability the advance should be impaired to nil value on the statement of financial position.

Provision against MDI SA Option
Due to the inherent uncertainty of recoverability of the cost of the option held by the subsidiary company Air Volution Limited, $429,184 (2021 $424,583), due to MDI SA not yet having commenced independent commercial operations, the directors in 2008 approved the expensing of the cost of the option. The Directors have reassessed this at balance date and still maintain the view that due to the continued inherent uncertainty of recoverability the option should be impaired to nil value on the statement of financial position.

Share-based payments
The fair value of equity-settled share-based payments at the date of issue is estimated by using the Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted. The model inputs and assumptions used in the estimation model are detailed in note 7. The accounting estimates and assumptions relating to equity-settled share-based payments will have no impact on the carrying amounts of the assets and liabilities in the next annual reporting period but may impact profit or loss and equity.

4 Financial risk management

The Company's activities expose it to a variety of risks:

(a) Market risk

(i) Currency risk:
The Group has transactions denominated in NZ dollars, as the Company operates in New Zealand and in AUS dollars given the subsidiaries are registered and operational in Australia. An advance to the Company ($149,135, 2021: $139,624) is partially based in CAN dollars and is therefore exposed to exchange rate movements. There is also an advance ($887,157, 2021: $899,686, written down to carrying value of nil in both years) that was provided by the Group to MDI SA denominated in Euros and is therefore exposed to exchange rate movements. These components of the consolidated financial statements of the group are translated to NZD for statutory reporting at year end.

(ii)Price risk: The Group is in pre revenue stages of the life cycle and therefore not exposed to price risk.

(iii) Cash flows and interest rate risk
The main interest charge arises from the credit card debt. The interest rates are fixed so the exposure to the interest rate risk is minimal. The bank overdraft is exposed to interest rate movement however the risk associated is minimal considering the amount of over drawn funds is insignificant. Interest rate on unsecured loans is also fixed.

(iv) Summarised sensitivity analysis
The sensitivity of the rate of currency exchange associated with the advance to the Company based in CAN dollars is considered to be an increase or decrease of 5% based on movements in the year. If the New Zealand dollar were to depreciate against the Canadian dollar by 5% the Company's liability would increase by $2,355. If the New Zealand dollar were to appreciate against the Canadian dollar by 5% the Company's liability would decrease by $2,242.
The sensitivity of the rate of currency exchange associated with the advance from the Group to MDI SA based in Euros is considered to be an increase or decrease of 5% based on movements in the year. If the New Zealand dollar were to depreciate against the euro by 5% the Company's asset would increase in value by $43,090. If the New Zealand dollar were to appreciate against the euro by 5% the Company's asset would decrease by $43,090.
The Group's bank overdraft is exposed to interest rate movements. The sensitivity of the rate is considered to be an increase or decrease of 3%, based on market movements in the year. Based on the full use of the overdraft facility if the interest rate was to increase or decrease by three percentage points then the financial effect would be a corresponding increase or decrease in profit and equity of the Group by approximately $60.

(b) Credit risk
The Group has a significant receivable from MDI SA. The directors in 2007 approved the write down of the advance to MDI SA to nil. The advance is impaired to nil value on the statement of financial position.

(c) Liquidity risk
Prudent liquidity risk management ensures that during the Group's development stage liabilities and commitments are not entered into unless the Group has adequate funds in place to satisfy these.
The Directors monitor the liquidity position of the Group on a continuing basis such that there are adequate funds on hand or available through Director and/or shareholder funding to meet the short-term commitments.
The Group has arrangements in place with the Directors to postpone the repayment of $1,868,003 of Director's Advances. Under the terms of the advances the Directors agree to not call upon the advances until such time that the company is in a position where repayment will not result in the company becoming insolvent.

d) Capital risk management
The Company's objective when managing capital is to safeguard the Company's ability to continue to operate and maintain solvency. The Company is 100% funded with money invested by Shareholders and Directors, and during 2022 and 2021 was not subject to any externally imposed capital requirements.

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5 Expenses

	Group 2022	Group 2021
	$	$
Included in the Expenses are the following:		
Unrealised foreign exchange loss (gain) on Advance to MDI SA	(12,795)	(10,376)
Provision against MDI advance	13,060	35,463

Remuneration of Auditors

	Group 2022	Group 2021
	$	$
Audit fees – Pitcher Partners	12,137	10,269
Audit fees – Baker Tilly Staples Rodway	27,675	31,777
Other fees	1,700	1,700
	41,512	43,746

6 Income tax

	Group 2022	Group 2021
	$	$
Profit/ (loss) before income tax	(1,423,264)	(877,375)
Income tax at 28 cents	(398,514)	(245,665)
Income tax losses not recognised	398,514	245,665
Income tax credit	-	-

Imputation credits:

	Group 2022	Group 2021
	$	$
Balance at beginning of period	590	590
Balance at end of period	590	590

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7 Contributed equity

	Group	Group
	2022	2021
	$	$
Balance at beginning of period – 272,431,260 ordinary shares fully paid	21,541,196	21,310,126
Shares issued during the period – 4,755,494 ordinary shares fully paid (2021: 4,924,250)	318,578	231,070
Balance at end of period – 277,186,754 ordinary shares fully paid	21,859,774	21,541,196

Ordinary shares

All ordinary shares are authorised, have no par value, and are fully paid. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

The number of ordinary shares were updated based on the updated share register of the company, the opening number of shares as at 1 January 2022 have been appropriately restated.

Share Issues

During the year 1,472,000 shares were issued for cash @ $0.05 per share, 90,993 shares were issued for cash @ $0.08 per share, 3,192,501 were issued for cash at $0.08 per share pursuant to an offer on the PledgeMe crowdfunding platform.

Share Options

On 31 December 2014 the Company issued 16,000,000 options to executive directors to promote and reward long term commitment to the Company and encourage continued ongoing support and stability within the Company. Each option, if exercised, converts to one ordinary share at a subscription price of $0.07. The options may be exercised at anytime up until 31 December 2029, the exercise deadline was extended from 31 December 2025 to 31 December 2029 in the current year. Any options not exercised by 31 December 2029 will lapse.

On 31 July 2017 the Company issued 5,000,000 options to employees to promote and reward long term commitment to the Company and to align the employee's incentives with the Company's objectives. Each option if exercised, converts to one ordinary share at a subscription price of $0.07. One half (50%) of the options issued to a recipient may be exercised from the date of issue and the remainder may be exercised as a further 12.5% at each of the year one, two, three, and four anniversaries of their issue until the expiry date of the options being 31 July 2024. The vesting conditions were met to the extent that 2,500,000 options vested with the recipient, at a cost of 7 cents per share. Any options not exercised by 31 July 2024 will lapse.

On 31 July 2017 the Company issued 13,500,000 options to executive directors to promote and reward long term commitment to the Company and encourage continued ongoing support and stability within the Company. Each option, if exercised, converts to one ordinary share at a subscription price of $0.07. The options may be exercised at anytime up until 31 July 2028, the exercise deadline was extended from 31 July 2024 to 31 July 2028 in the current year. Any options not exercised by 31 July 2028 will lapse.

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On 5 December 2017 the Company issued 3,000,000 options to non-executive directors to promote and reward long term commitment to the Company and encourage continued ongoing support and stability within the Company. Each option, if exercised, converts to one ordinary share at a subscription price of $0.07. The options may be exercised at anytime up until 5 December 2028, the exercise deadline was extended from 5 December 2024 to 5 December 2028 in the current year. Any options not exercised by 5 December 2028 will lapse.

On 26 August 2020 the Company issued 2,500,000 options to a third party to promote and reward long term commitment to the Company and encourage continued ongoing support for the Company's activities. Each option if exercised, converts to one ordinary share at a subscription price of $0.06. These options can be exercised at any time up to 26 August 2026 at an issue price of $0.06 per share. Any options not exercised by 26 August 2026 will lapse.

On 29 December 2022 the Company issued 16,500,000 options to executive directors and executive to promote and reward long term commitment to the Company and encourage continued ongoing support and stability within the Company. Each option, if exercised, converts to one ordinary share at a subscription price of $0.07. The options may be exercised at any time up until 31 December 2029. Any options not exercised by 31 December 2029 will lapse.

On 12 October 2017, Air Volution Limited issued 29,169,000 options to the directors. Each option if exercised, converts to one ordinary share at a subscription price of $0.06. The options may be exercised at anytime up until 31 December 2028, the exercise deadline was extended from 31 December 2026 to 31 December 2028 in the current year. Any options not exercised by 31 December 2028 will lapse.

On 14 August 2020, Air Volution Limited issued 500,000 options to Francis DeNeefe. Each option if exercised, converts to one ordinary share at a subscription price of $0.06. The options may be exercised at any time up until 31 December 2028, the exercise deadline was extended from 31 December 2026 to 31 December 2028 in the current year. Any options not exercised by 31 December 2028 will lapse.

On 29 December 2022 the Air Volution Ltd issued 16,500,000 options to Directors and Executive directors to promote and reward long term commitment to the Company and encourage continued ongoing support and stability within the Company. Each option, if exercised, converts to one ordinary share at a subscription price of $0.07. The options maybe exercised at any time up until 31 December 2029. Any options not exercised by 31 December 2029 will lapse.

Movement in the number of options outstanding is as follows:

	2022	2022	2021	2021
	Weighted average exercise price per unit	**Options**	**Weighted average exercise price per unit**	**Options**
	NZD		NZD	
Outstanding as at 1 January	$0.069	37,500,000	$0.07	45,500,000
Granted	$0.07	16,500,000		-
Forfeited/Expired	-		-	8,000,000
Outstanding as at 31 December	$0.069	54,000,000	$0.069	37,500,000
Exercisable at 31 December	$0.069	54,000,000	$0.069	37,500,000
	AUD		AUD	
Outstanding as at 1 January	$0.060	29,669,000	$0.060	29,669,000
Granted	$0.07	16,500,000		-
Outstanding as at 31 December	$0.060	46,169,000	$0.060	29,669,000
Exercisable at 31 December	$0.060	46,169,000	$0.060	29,669,000

BTSR

In 2022, new options were granted on 29 December 2022. The inputs into the Black Scholes model are as follows:

	Parent	Air Volution
	2022	2022
Share price	$0.05	$0.05
Exercise price of option	$0.07	$0.07
Expected volatility	20%	20%
Expected Life	7 years	7 years
Risk-free rate	4.25%	3.68%

Expected volatility was determined by calculating the historical volatility of the Group's share price over previous 8 years. The expected life used in the model has been adjusted, based on management's best estimate for the effect of non-transferability, exercise restrictions and behavioural considerations.

During 2022, the Group extended the period of its outstanding options. The incremental fair value of granted options because of modification are $55,275 relating to the parent and $97,284 for the modification of Air Volution options. The Group used the inputs noted above to measure the fair value of the options.

The Group recognised total expenses of $489,614 and $38,265 related to equity settled share payment transactions in 2022 and 2021 respectively.

8 Accumulated losses

	Group 2022 $	Group 2021 $
Balance at beginning of the period	(29,248,407)	(28,493,049)
Comprehensive income (loss) for the period	(1,423,264)	(877,375)
Transfer from equity settled options reserve		168,235
Transfer to foreign currency translation reserve	(24,521)	(46,218)
Balance at end of the period	(30,647,150)	(29,248,407)

BTSR

9 Non – controlling interest	2022	2021
	$	$
Non-controlling interest at beginning of the period	(1,053,729)	(886,374)
Share of comprehensive income /(loss) for the period	(291,883)	(185,991)
Increase/(Decrease) in equity settled share-based payments	244,639	-
Adjustments from changes in non-controlling interest		-
Foreign currency translation adjustment	5,105	18,636
Balance at end of the period	(1,095,868)	(1,053,729)

The non-controlling interest comprises 37.95% (2021:37.95%) of the contributed equity and accumulated losses of Air Volution Limited and its equity-settled share-based payments reserve.

10 Cash and cash equivalents /Bank overdraft

	Group	Group
	2022	2021
	$	$
Cash at bank	974	343
Bank overdraft	(18,785)	(19,024)
Total cash and cash equivalents /(bank overdraft)	(17,811)	(18,681)

(i) Cash at bank

The interest rate on Group and Company cash at bank was 0.0% during the period (2021 0.0%).

The Company has a $20,000 unsecured overdraft facility with Westpac New Zealand Ltd. The directors of the Company, Messrs Russell Fitts, Michael Kain, and Peter Macaulay, have each provided an unlimited personal guarantee to Westpac New Zealand Ltd in respect of the overdraft facility. The interest rate on Group overdraft was 11.55% during the period, (2021: 11.55%).

11 Trade and other receivables	Group	Group
	2022	2021
	$	$
GST	3,923	3,829
Total trade and other receivables	3,923	3,829

12 Property, Plant & Equipment

There were no property plant and equipment in the year ended 31 December 2022.

BTSR

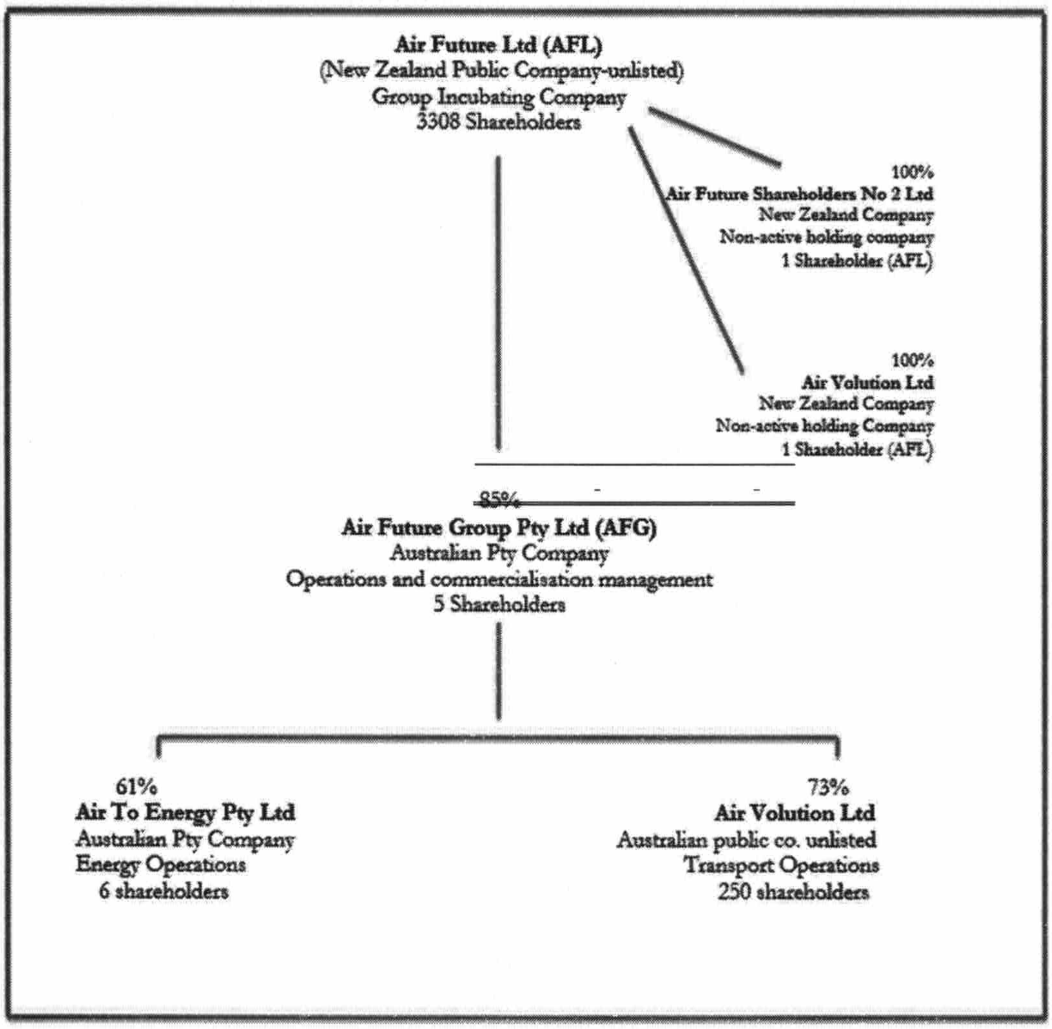
Air Future Limited
Notes to the Consolidated Financial Statements
For the year ended 31 December 2022

13 Intangible Assets:

Option Rights to MDI Technology	Group 2022	Group 2021
Original cost (translated to NZ dollars at	$	$
reporting date)	429,184	424,583
Provision for impairment	(429,184)	(424,583)
Net book value	-	-

14 Subsidiaries owned at 31 December 2022:

STRUCTURE OF "AIR FUTURE GROUP"



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Company Name	Date of Incorporation	Shares on Issue 31/12/22	Shares held by Air Future Ltd 31/12/22	Shares held by Air Future Group Pty Ltd 31/12/22	%age held 31/12/2022	Principal Activities	Balance Date
Air Future Ltd (AFL), N.Z. Co No' 899632	20/03/2018	277,186,754				Parent Company Activity Incubation	31 December
Air Future Group Pty Ltd. (AFG), ACN 636 148 662	12/09/2019	297,781,407	253,781,407		AFL holds 85% of AFG	Operations management	31 December
Air Volution Ltd (AVL), ACN 119 964 000	31/05/2006	174,620,652		127,469,627	AFG holds 73% of AVL	Commercialising MDI transport applications.	31 December
Air to Energy Pty Ltd (AtE), ACN 641 224 106	26/05/2020	215,561,252		131,634,227	AFG holds 61% of AtE	Commercialising MDI energy and energy storage applications.	31 December
Air Volution Ltd, NZ Co No 4033318	27/09/2012	100	100		AFL holds 100%	Non active N.Z. holding company	
Air Future Shareholders No 2 Ltd NZ Co No 8170162	15/03/2021	10	10		AFL holds 100%	Non active N.Z. holding company	

15 Advance to MDI SA

	Group 2022 $	Group 2021 $
Advance to MDI SA (gross)	887,157	899,686
Allowance for expected credit loss	(887,157)	(899.686)
Net book value	-	-

The Group had advanced euro 509,891 (2021: euro 509,891) to MDI SA. The terms of the advance are that, at the Group's discretion, the advance shall be used for payment against licence fees or repaid on demand to the Group. There is no interest payable on the advance by MDI SA.

A further advance of euro 15,000 was made to MDI SA during the 2021 year @ 5% per annum interest, to be repaid in July 2022. No repayments have been received in the 2022 year.

Due to the inherent uncertainty of recoverability of the advances to MDI SA, due to MDI SA not yet having commenced independent commercial operations, the Directors in 2007 approved the write down of the carrying value of the advance to MDI SA to nil. The Directors have reassessed this at balance date and still maintain the same view.

BTSR

16 Trade and other payables

	Group 2022 $	Group 2021 $
Trade payables	581,046	601,774
Accruals	88,435	29,940
Employee benefits payable	4,394,636	3,762,691
GST Payable	-	-
Total trade and other payables	5,064,117	4,394,405

The Group accruals above include accruals for unpaid employee benefits due to the directors, Mr Fitts, Mr Kain and Mr Menenga as at 31 December 2022. The amounts will be paid to the directors as the company funds allow. Refer to note 23 for further details.

17 Unsecured Advances

	Group 2022 $	Group 2021 $
Advances by third parties	149,135	139,624

The unsecured advances include two advances with closing balances of $40,495 and $34,858 that are incurring interest at 10% annually. The remaining $73,782 is interest free.

18 Government Loans Repayable

	2022 $	2021 $
Government Loans Repayable	9,801	15,400

Government loan payable of $9,801 which was advanced to the company by IRD as a result of COVID 19 subsidies available to assist businesses with the downturn. Interest on the loan is payable from 14 May 2022 with the final repayment date of 14 May 2025.

19 Loans from Directors

	Group 2022 $	Group 2021 $
Balance at the beginning of the period	1,897,260	1,815,618
Net loan advances during the period	(30,677)	81,642
Balance at end of the period	1,866,583	1,897,260

See note 24 for further details on director's loans.

During the 2018, 2019, 2020, 2021 and 2022 years Mr Fitts advanced funds to the Company. These funds were sourced from two loan facilities that Mr Fitts arranged privately. The Company has agreed to reimburse Mr Fitts for the interest that he incurred under these facilities. The above balance includes any interest payable to Mr Fitts.

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20 Financial instruments by category

The Group's Financial Instruments comprise of cash and receivables, Financial Instruments also include Trade Payables (Note 16), Unsecured Advances (Note 17) and borrowings (Notes 18 and 19).

Financial instruments as per statement of financial position	Amortised Cost
Group	$
As at 31 December 2022	
Government grants repayable	(13,109)
Bank overdraft	(17,811)
Trade payables	(5,064,117)
Unsecured Advances	(149,135)
Borrowings	(1,866,583)
	(7,110,755)
As at 31 December 2021	
Government grants repayable	(38,663)
Bank overdraft	(18,682)
Trade payables	(4,391,336)
Unsecured Advances	(139,624)
Borrowings	(1,897,260)
	(6,485,565)

21 Net cash outflows from operating activities

	Group 2022	Group 2021
Reconciliation of comprehensive income (loss) with net cash flows from operating activities:	$	$
Profit/(loss) from operations for the year	(1,398,743)	(877,375)
Depreciation	-	-
		-
Equity settled share-based payments	489,614	(38,265)
(Increase)/ decrease in trade and other receivables excluding share issue proceeds receivable	(94)	(3,829)
Increase/ (decrease) in trade and other payables	643,834	634,187
Net cash (outflows) from operating activities	(265,389)	(285,282)

22 Capital commitments

There were no capital commitments at 31 December 2022 (2021: $0)

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23 Related Parties

(i) Air Future Ltd - Directors remuneration

Directors have not received any director's fees, other than by reimbursement for reasonable travelling, hotel and other expenses incurred in attendance at meetings of Directors and when engaged on the business or affairs of the Company, during the year ended 31 December 2022 (2021: $0). They are not entitled to any post-employment benefits, other long-term benefits, termination benefits.

The following Directors were employed by the Company during the year ended 31 December 2022. The Directors' salaries will only be paid as Company funds allow. The Company has expensed the following amounts for the Directors' services during the December 2022 year:

	2022	2021
	$	$
R Fitts	188,369	185,531
G M Kain	188,369	185,531
J Mennega	300,572	265,365

As at 31 December 2022 Group accruals under trade and other payables include the following accruals relating to unbilled services provided by the directors as employees:

	2022	2021
	$	$
R Fitts	923,971	731,712
G M Kain	1,158,128	965,869
J Mennega	1,642,700	1,333,415
P Gurr	553,366	547,434

As at 31 December 2022 year, $24,051 was payable to GM Kain as rent for the use of premises at 54 Holly Road, Christchurch 8014. This amount is also accrued under trade and other payables (note 16).

(ii) The following directors hold shares and options in the Group:

Shareholdings

	Number of Shares	
	2022	2021
Air Future Ltd		
G M Kain	26,955,225	26,955,225
J Mennega	5,843,849	5,843,849
P Macaulay	21,918,222	21,918,222
R H Fitts	21,742,543	21,742,543

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	Number of Shares 2022	Number of Shares 2021
Air Future Group Pty Ltd		
M Kain	12,000,000	12,000,000
J Mennega	12,000,000	12,000,000
R H Fitts	12,000,000	12,000,000
Air Volution Ltd		
F X DeNeefe	2,851,196	2,851,196
R H Fitts	3,622,233	3,622,233
Air to Energy Pty Ltd		
G M Kain	10,000,000	10,000,000
J Mennega	16,500,000	16,500,000
R H Fitts	10,000,000	10,000,000

Options

	Option Issued	Subscription Price ($)	Issue Date	Expiry Date
Air Future Ltd				
R H Fitts	8,000,000	0.07	31-Dec-14	31-Dec-29
	5,000,000	0.07	31-Jul-17	31-Jul-28
	5,000,000	0.07	29-Dec-22	31-Dec-29
GM Kain	8,000,000	0.07	31-Dec-14	31-Dec-29
	8,500,000	0.07	31-Jul-17	31-Jul-28
	5,000,000	0.07	29-Dec-22	31-Dec-29
P Macaulay	1,500,000	0.07	5-Dec-17	5-Dec-28
	1,500,000	0.07	29-Dec-22	31-Dec-29
Air Volution Ltd				
R H Fitts	5,670,000	0.06	12-Oct-17	31-Dec-28
	5,000,000	0.07	29-Dec-22	31-Dec-29
GM Kain	5,670,000	0.06	12-Oct-17	31-Dec-28
	5,000,000	0.07	29-Dec-22	31-Dec-29
J Mennega	9,180,000	0.06	12-Oct-17	31-Dec-28
	5,000,000	0.07	29-Dec-22	31-Dec-29
F DeNeefe	500,000	0.06	14 Aug-20	31-Dec-28
	1,500,000	0.07	29-Dec-22	31-Dec-29

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Trustee Companies directorships

ITL Team Trust

Air Future Trustee Ltd is the trustee for the **ITL Team Trust**. Air Future Trustee Ltd as trustee holds 8,932,794 (2021:10,149,294) shares in Air Future Ltd. The beneficiaries of the trust are "all persons engaged as employees, representatives and contractors to Air Future Ltd at any time and for any period between 1 January 2005 and 31 December 2007".

As such Messrs R.H Fitts, G.M Kain, P.C.Macaulay and Mr J.M. Mennega are discretionary beneficiaries of the trust.

Air Future Group Supporters Trust

Air Future Trustee Ltd is the trustee for the **Air Future Group Supporters Trust**. Air Future Trustee Ltd as trustee holds 8,000,000 shares in Air Future Group Pty Ltd. The beneficiaries of the trust are "All persons engaged as team members, representatives or supporters to Air Future Group at any time and for any period starting on the date of incorporation of Air Future Group and ending on 31 December 2025".

As such Messrs R.H Fitts, G.M Kain, P.C.Macaulay and Mr J.M. Mennega are discretionary beneficiaries of the trust.

IT MDI Energy Team Trust

Volution Trustee Ltd is the trustee for the **IT MDI Energy Team Trust**. Volution Trustee Ltd as trustee holds 6,997,818 shares (2021: 6,997,818) in Air Volution Ltd. The beneficiaries of the IT MDI Energy Team Trust are "all persons engaged as team members, representatives, or supporters of Air Volution Ltd at any time and for any period between 1 May 2006 and 30 June 2014".

As such Messrs R.H Fitts, G.M Kain, P.C.Macaulay, Mr J.M. Mennega, and Mr F X De Neefe are discretionary beneficiaries of the trust.

Air Volution Shareholder Team Trust

Volution Trustee Ltd is the trustee for the **Air Volution Shareholder Team Trust**. Volution Trustee Ltd as trustee holds 40,153,207 shares (2021: 40,153,207) in Air to Energy Pty Ltd. The beneficiaries of the Air Volution Shareholder Team Trust are all those shareholders of Air Volution Ltd other than Air Future Group Pty Ltd, and who have provided cash to Air Volution Ltd from the date of incorporation of Air Volution Ltd up to 31 August 2019".

As such Messrs R.H Fitts and Mr F X De Neefe are discretionary beneficiaries of the trust.

Air to Energy Supporters Trust

Air Future Trustee Ltd is the trustee for the **Air to Energy Supporters Trust**. Air Future Trustee Ltd as trustee holds 7,273,818 shares (2021: 7,273,818) in Air to Energy Pty Ltd. The beneficiaries of the Air to Energy Supporters Trust are "all persons engaged as team members, representatives or supporters to Air to Energy Ltd at any time and for any period between 11 October 2016 and 31 December 2025" As such Messrs R.H Fitts, G.M Kain, P.C.Macaulay, Mr J.M. Mennega, and Mr F X De Neefe are discretionary beneficiaries of the trust.

(iii) Loans from Directors

As at 31 December 2022 the directors have lent the Group $1,855,583 by way of loans (2021: $1,897,260).

Included in the Loans from Directors are advances from Mr Fitts of $1,457,632. The Company has agreed with Mr Fitts that, at Mr Fitts discretion, he may request the repayment, or part repayment, of the advances in cash or by the Company issuing ordinary shares in the Company to Mr Fitts at four cents per share.

Included in the above advance by Mr Fitts is a separate arranged loan facility Mr Fitts put in place in 2005 to provide a funding line for Air Future Ltd. In June 2019 Air Future Ltd entered into a formal agreement whereby Air Future Ltd agreed to pay all interest and capital repayments required under the facility as if it were its own.

As part of that agreement the directors of Air Future Ltd, Messrs Russell Fitts, Michael Kain and Peter Macaulay, together with a fourth party each provided a limited personal guarantee to one quarter of the total sum owing.

In June 2019 in order to ensure ultimate repayment of the advanced sum Air Future Ltd agreed that it was appropriate for Mr Fitts to take out a life insurance policy to cover the advances under the arranged loan facility and that Air Future Ltd would assume all premiums payable under the said policy (2022: $13,933; 2021: $13,291)

(iv) Key management personnel

The Company has no key management personnel other than the Directors.

24 Events subsequent to balance date

There have been no events subsequent to balance date that will have a material impact on the financial statements.

25 Filing of the Financial Statements

Section s460(1) and s461H(1) of the Financial Markets Conduct Act 2013 requires audited financial statements to be lodged with the Registrar within 4 months of the Company's balance date. The finalisation of the 2022 Financial Statements and Audit Report could not be completed within the filing period. The completion and filing of the Financial Statements and audit report has now been addressed. The Company considers that future audit and filing requirements can be attended to within the required period. (2021: The financial statements for the year ended 31 December 2021 were lodged with the Registrar on 9 June 2022).

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Baker Tilly Staples Rodway Audit Limited
Level 6, 95 Customhouse Quay, Wellington 6011
PO Box 1208, Wellington 6140
New Zealand

T: +64 4 472 7919
F: +64 4 473 4720
E: wellington@bakertillysr.nz
W: www.bakertillysr.nz

bakertilly STAPLES RODWAY

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Air Future Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Air Future Limited and its subsidiaries ('the Group') on pages 4 to 26, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Our report is made solely to the Shareholders of the Group. Our audit work has been undertaken so that we might state to the Shareholders of the Group 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 Shareholders of the Group as a body, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Air Future Limited or any of its subsidiaries.

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Emphasis of matter – Realisation basis of accounting

The consolidated financial statements have been prepared on a realisation basis. We draw attention to Note 2(a), Note 2(c) and Note 3, which provide information about the Directors' reasons for adopting this basis of accounting and the impact of this decision on significant accounting policies.

- Notes 2(a) and (c) state that the consolidated financial statements have been prepared on a realisation basis, because the Directors are of the view that due to significant uncertainty over future funding, the Group cannot be considered a going concern.
- Note 3 describes the impacts on significant accounting policies of applying a realisation basis in preparing the consolidated financial statements.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Emphasis of Matter section, we have determined the matters below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Related Party Transactions We consider related party transactions to be a key audit matter because there is a risk that: ▪ if these transactions are not conducted at arm's length; ▪ if the accounting treatment for these transactions is not correct; or ▪ if the disclosure of these transactions is not complete; it could materially influence the readers of the consolidated financial statements. These disclosures are of most significance to the audit because most of the Group's transactions during the year, and balances at the reporting date, were with related parties. Note 23 discloses transactions between the Group and its related parties, which are material in amount and by nature.	Our audit procedures included, among others, the following: ▪ obtaining an understanding of the Directors' process for identifying and reporting related party transactions; ▪ considering likely areas of related party transactions; ▪ reviewing evidence including Board minutes and resolutions, documentation supporting share issues and transfers, expenses incurred to related parties, and transactions in Directors' loan accounts; ▪ assessing the business rationale for the transactions and whether they had been correctly and completely disclosed in the consolidated financial statements, in all material respects; and ▪ obtaining relevant confirmations from Directors.

Key Audit Matter	How our audit addressed the key audit matter
Share-Based Payments We consider share-based payments to be a key audit matter because there is a risk that: ▪ if the accounting treatment for share-based payments are not correct; or ▪ if the disclosure of these share-based transactions is not complete. it could materially influence the readers of the consolidated financial statements. These transactions are of most significance to the audit because the valuation of share-based payments requires a high degree of estimation by management and the transactions involve share options issued to Directors, who are related parties of the Group. Note 7 discloses share options transactions.	Our audit procedures, amongst others, included: ▪ obtaining an understanding of share-based transactions, including share options issued and modified during the year; ▪ analysing the share option certificates and directors' resolutions to identify key terms and conditions of share-based payments; ▪ evaluating management's use of Black-Scholes valuation models and assessing the assumptions and inputs used; ▪ assessing the accounting treatment applied to share-based payments and the adequacy of related disclosures included in the consolidated financial statements against NZ IFRS 2 *Share-based Payment* disclosure requirements.
Legislative Compliance The Group is subject to legal requirements that have a significant impact on its activities, including the Financial Markets Conduct Act 2013 (FMCA) and other laws and regulations. Legislative compliance is considered a key audit matter because significant auditor attention was required to assess the Group's compliance with applicable legislation and the possible effects of non-compliance. Note 26 discloses the Group's non-compliance with section 261H of the FMCA, which requires audited consolidated financial statements to be lodged with the Registrar within 4 months of the reporting date.	Our audit procedures, amongst others, included: ▪ updating our understanding of the key legislation applicable to the Group; ▪ assessing the adequacy of controls the Directors have put in place to ensure compliance; ▪ assessing evidence obtained during our audit testing that indicated possible non-compliance with applicable laws and regulations; ▪ assessing the adequacy of disclosure of matters of non-compliance in the consolidated financial statements; and ▪ evaluating the possible effects of non-compliance with applicable laws and regulations.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 31 December 2022 (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 (NZ) 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 consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent fairly the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chrissie Murray.

Baker Tilly Staples Rodway

BAKER TILLY STAPLES RODWAY AUDIT LIMITED

Wellington, New Zealand

19 May 2023