

AIR FUTURE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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AIR FUTURE LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
DIRECTORY

For the Year Ended 31 December 2021

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

CONSOLIDATED FINANCIAL STATEMENTS

OF

AIR FUTURE LIMITED AND GROUP

For the Year Ended 31 December 2021

APPROVAL BY DIRECTORS

The directors are pleased to present the consolidated financial statements of Air Future Limited and Group for the year ended 31 December 2021 on pages 4 to 26.

The directors authorised the issue of these financial statements on 3 June 2022.



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 2021

	Note	Group 2021 \$	Group 2020 \$
Revenue		-	-
Expenses	5	(303,684)	180,982
Employee Benefit Expenses		(560,782)	(716,298)
Finance expenses		(20,862)	(29,913)
Equity settled share-based payments	7	(38,265)	(267,352)
Profit (loss) before income tax		(923,593)	(832,581)
Profit (loss) from operations		(923,593)	(832,581)
Foreign Currency Translation Movement		46,218	
Total comprehensive Income/(loss)		(877,375)	(832,581)
Net Profit (Loss) and total comprehensive income/(loss) attributable to:			
Parent Shareholders		(691,384)	(545,013)
Non-controlling interests		(185,991)	(287,568)

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

Air Future Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Contributed Equity	Equity Settled Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance as at 1 January 2020	21,009,033	1,289,128		(27,660,468)	(5,362,307)
Loss for the year				(832,581)	(832,581)
Total comprehensive income for the year				(832,581)	(832,581)
Transactions with owners in their capacity as owners:					
Contributions	301,093				301,093
Share based payments movement		43,939			43,939
Total transactions with owners in their capacity as owners	301,093	43,939			345,032
Balance as at 31 December 2020	21,310,126	1,333,067	-	(28,493,049)	(5,849,856)
Parent shareholders' equity					(4,963,481)
Minority interest equity					(886,374)
Total Equity					(5,849,856)
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)	-	-	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)

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



Air Future Limited

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	Group 2021 \$	Group 2020 \$
ASSETS			
Current assets			
Trade and other receivables	11	3,829	
Total current assets			
Non-current assets			
Property, plant and equipment	12		
Intangible assets	13		
Advance to MDI SA	15		
Total non-current assets		-	-
Total assets		3,829	-
LIABILITIES			
Current liabilities			
Bank overdraft	10	18,682	15,067
Trade and other payables	16	4,394,405	3,794,439
Government grants repayable	18	38,663	38,663
Government loans repayable	18	15,400	15,400
Funds held on Behalf of shareholders			25,120
Unsecured advances	17	139,624	145,549
Loans from Directors	19	1,897,260	1,815,618
Total current liabilities		6,504,033	5,849,856
Total liabilities		6,504,033	5,849,856
Net assets (liabilities)		(6,500,204)	(5,849,856)
EQUITY			
Contributed equity	7	21,541,196	21,310,126
Equity settled options reserve		1,160,789	1,333,067
Accumulated losses	8	(29,248,407)	(28,493,049)
Foreign Currency Translation Reserve		46,218	
		(6,500,204)	(5,849,856)
Parent shareholders' equity		(5,446,475)	(4,963,481)
Non-controlling interest	9	(1,053,729)	(886,374)
Total equity		(6,500,204)	(5,849,856)

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

Air Future Limited

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	Group 2021 \$	Group 2020 \$
Cash Flows from Operating Activities			
Cash was provided from (applied to):			
Payments to employees and suppliers		(253,931)	(237,963)
GST		(10,489)	8,381
Interest paid		(20,862)	(29,913)
Net cash from operating activities	21	<u>(285,282)</u>	<u>(259,495)</u>
Cash Flows from Financing Activities			
Cash was provided from /(applied to):			
Proceeds from issue of shares in parent		205,950	102,800
Unsecured advances proceeds/(repaid)	17	(5,925)	3,526
Directors' loans proceeds/(repaid)	19	81,642	103,349
Government Subsidy received			<u>54,063</u>
Net cash flows from financing activities		281,667	263,736
Net increase (decrease) in cash and cash equivalents			
		(3,615)	4,241
Cash and cash equivalents at beginning of period		<u>(15,067)</u>	<u>(19,308)</u>
Cash and cash equivalents (bank overdraft) at end of period	10	(18,682)	(15,067)

The above statements of cash flows should be read in conjunction with the accompanying Notes to the Financial Statements on pages 8 to 26

Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 Financial Statements have been approved for issue by the Board of Directors on 3 June 2022. The Group's directors do not have the power to amend these 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.



Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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.

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.

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 material 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.

Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(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 items are depreciated on a diminishing value basis as follows:

Plant and equipment	24% to 60%
Office equipment	11% to 40%

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

Trademarks

Trademarks have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. The amortisation period for each trademark is equal to the useful life of the trademark and method of amortisation is on a straight-line basis.

Option to Licence

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

Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(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.

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. 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 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).

(m) Cash and cash equivalents

Cash and cash equivalents includes 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.



Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(q) 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.

(r) 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. The fair value is determined by using the Black Scholes model taking into account the terms and conditions upon which the instruments were granted. 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 with the next annual reporting period but may impact profit or loss and equity.

(s) 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.

(t) Change in accounting policies

There were no changes in accounting policies during the year ended 31 December 2021.

3 Critical accounting estimates

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 2020 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 2021 financial statements on a realisation basis.

The impact of applying a realisation basis on the year ended 31 December 2021 financial statements is as follows:

Provision against advance to MDI SA

Due to the inherent uncertainty of recoverability of the advance to MDI SA, \$899,686 (2020 \$864,223), 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, rather than including the advance as an asset on the statement of financial position. 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, \$424,583 (2020 \$430,108), due to MDI SA not yet having commenced independent commercial operations, the directors in 2008 approved the expensing of the cost of the option, rather than including the advance as an asset on the statement of financial position. 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.



Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 (\$139,624 2020: \$145,549) is partially based in CAN dollars and is therefore exposed to exchange rate movements. There is also an advance (\$899,686, 2020: \$864,233, 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 \$1,971. If the New Zealand dollar were to appreciate against the Canadian dollar by 5% the Company's liability would decrease by \$1,877.

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 \$43,729. If the New Zealand dollar were to appreciate against the euro by 5% the Company's asset would decrease by \$41,647.

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 \$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. As such the advance is not recorded as an asset 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 \$1.9M 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 2021 and 2020 was not subject to any externally imposed capital requirements.

Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5 Expenses

Group	Group
2021	2020
\$	\$

Included in the Expenses are the following:

Unrealised foreign exchange loss (gain) on Advance to MDI SA	(10,376)	(14,405)
Provision against MDI advance	35,463	14,405

Remuneration of Auditors

Group	Group
2021	2020
\$	\$

Audit fees – Pitcher Partners	10,269	9,038
Audit fees – Baker Tilly Staples Rodway	33,477	20,000
Other fees		-
	<u>43,746</u>	<u>29,038</u>

6 Income tax

Group	Group
2021	2020
\$	\$

Profit/ (loss) before income tax	(877,375)	(832,581)
Income tax at 28 cents	(245,665)	(233,123)
Income tax losses not recognised	<u>245,665</u>	<u>233,123</u>
Income tax credit	<u>-</u>	<u>-</u>

Imputation credits:

Group	Group
2021	2020
\$	\$

Balance at beginning of period	<u>3,235</u>	<u>3,235</u>
Balance at end of period	<u>3,235</u>	<u>3,235</u>

Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7 Contributed equity

	Group	Group
	2021	2020
	\$	\$
Balance at beginning of period – 267,616,592 ordinary shares fully paid	21,310,126	21,009,033
Shares issued during the period – 4,924,250 ordinary shares fully paid (2020: 6,197,054)	231,070	301,093
Expenses incurred in marketing production	-	-
Balance at end of period – 272,541,202 ordinary shares fully paid	<u>21,541,196</u>	<u>21,310,126</u>

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.

Share Issues

During the year 3,365,250 shares were issued for cash @ \$0.05 per share, 1,499,000 shares were issued in exchange for forgiveness of debt (600,000 @ \$0.033 per share and 899,000 @ \$0.02 per share), and 60,000 shares were issued for no consideration. An expense of \$38,625 has been recognised in the period in relation to shares issued for less than fair value.

Share Options

On 31 December 2014 the Company issued 8,000,000 options to employees to promote and reward long term commitment to the Company and to align the employees' 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 December 2021. These options were not exercised by 31 December 2021 and have therefore lapsed.

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 2025. Any options not exercised by 31 December 2025 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.

Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 2024. Any options not exercised by 31 July 2024 will lapse.

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 2024. Any options not exercised by 5 December 2024 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 31 December 2025 at an issue price of \$0.06 per share. Any options not exercised by 31 December 2025 will lapse.

On 12 October 2017, Air Volution Limited issued 29,169,000 options to the directors and employees. 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 2024. Any options not exercised by 31 December 2024 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 2026. Any options not exercised by 31 December 2026 will lapse.

Movement in the number of options outstanding is as follows:

	2021	2021	2020	2020
	Weighted average exercise price per unit	Options	Weighted average exercise price per unit	Options
	<u>NZD</u>		<u>NZD</u>	
Outstanding as at 1 January	\$0.069	45,500,000	0.07	43,000,000
Granted	-	-	0.06	2,500,000
Forfeited/Expired	-	8,000,000	-	
Outstanding as at 31 December	\$0.069	37,500,000	\$0.069	45,500,000
Exercisable at 31 December	\$0.069	37,500,000	\$0.069	45,500,000
	<u>AUD</u>		<u>AUD</u>	
Outstanding as at 1 January	\$0.060	29,669,000	\$0.060	29,169,000
Granted	-	-	\$0.060	500,000
Forfeited/Expired	-	-	-	-
Outstanding as at 31 December	\$0.060	29,669,000	\$0.060	29,669,000
Exercisable at 31 December	\$0.060	29,669,000	\$0.060	29,669,000

Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

8 Accumulated losses	Group 2021 \$	Group 2020 \$
Balance at beginning of the period	(28,493,049)	(27,660,468)
Comprehensive income (loss) for the period	(877,375)	(832,581)
Transfer from equity settled options reserve	168,235	
Transfer to foreign currency translation reserve	(46,218)	
Balance at end of the period	<u>(29,248,407)</u>	<u>(28,493,049)</u>

9 Non – controlling interest	2021 \$	2020 \$
Non-controlling interest at beginning of the period	(886,374)	(319,504)
Share of comprehensive income /(loss) for the period	(185,991)	(287,568)
Increase/(Decrease) in equity settled share-based payments		43,939
Adjustments from changes in non-controlling interest		(323,241)
Foreign currency translation adjustment	18,636	
Balance at end of the period	<u>(1,053,729)</u>	<u>(886,374)</u>

The non-controlling interest comprises 37.95% (2020:37.95%) of the contributed equity and accumulated losses of Air Evolution Limited and its equity-settled share-based payments reserve.

10 Cash and cash equivalents /Bank overdraft

	Group 2021 \$	Group 2020 \$
Cash at bank	343	2254
Bank overdraft	<u>(19,024)</u>	<u>(17,321)</u>
Total cash and cash equivalents /(bank overdraft)	<u>(18,861)</u>	<u>(15,067)</u>

(i) Cash at bank

The interest rate on Group and Company cash at bank was 0.0% during the period (2020 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, (2020: 11.55%).

Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

11 Trade and other receivables	Group	Group
	2021	2020
	\$	\$
GST	3,829	-
Total trade and other receivables	<u>3,829</u>	<u>-</u>

12 Property, Plant & Equipment

There are no property plant and equipment in the year ended 31 December 2021 as all items were written off in 2020 year as below.

Group (2020)	Plant & equipment	Office equipment	Total
	2020	2020	2020
	\$	\$	\$
Cost at the beginning of the year	62,179	26,805	88,932
Accumulated depreciation	(30,948)	(6,901)	(39,838)
Write down to realisable value	<u>(31,179)</u>	<u>(19,904)</u>	<u>(49,094)</u>
Net book value at the beginning of the year			
Additions during the year	-	-	-
Derecognised during the year	(31,179)	(19,904)	(49,094)
Depreciation during the year	-	-	-
Write down to realisable value	-	-	-
Cost at the end of the year	-	-	-
Accumulated depreciation	-	-	-
Write down to realisable value	<u>-</u>	<u>-</u>	<u>-</u>
Net book value at the end of the year	<u>-</u>	<u>-</u>	<u>-</u>

Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

13 Intangible assets

Trademarks	Group 2021	Group 2020
	\$	\$
Cost at the beginning of the period	-	27,916
Accumulated amortisation	-	(16,138)
Write down to realisable value	-	(11,778)
Net book value at the beginning of the period		-
Additions during the period		-
Amortisation during the period		-
Derecognised	-	11,778
Cost at the end of the period		-
Accumulated amortisation	-	-
Write down to realisable value	-	-
Net book value at the end of the period	-	-

The trademarks relate to the company prior to its name change in December 2013. As at 31 December 2021 no trademarks exist in Air Future Limited. The realisation provision was written off to the cost of the asset in the 2020 year.

Option Rights to MDI Technology	Group 2021	Group 2020
	\$	\$
Cost at the beginning of the period	424,583	430,108
Provision for options to license	(424,583)	(430,108)
Net book value at the beginning of the period	-	-
Additions during the period	-	-
Cost at the end of the period	-	-
Net book value at the end of the period	-	-

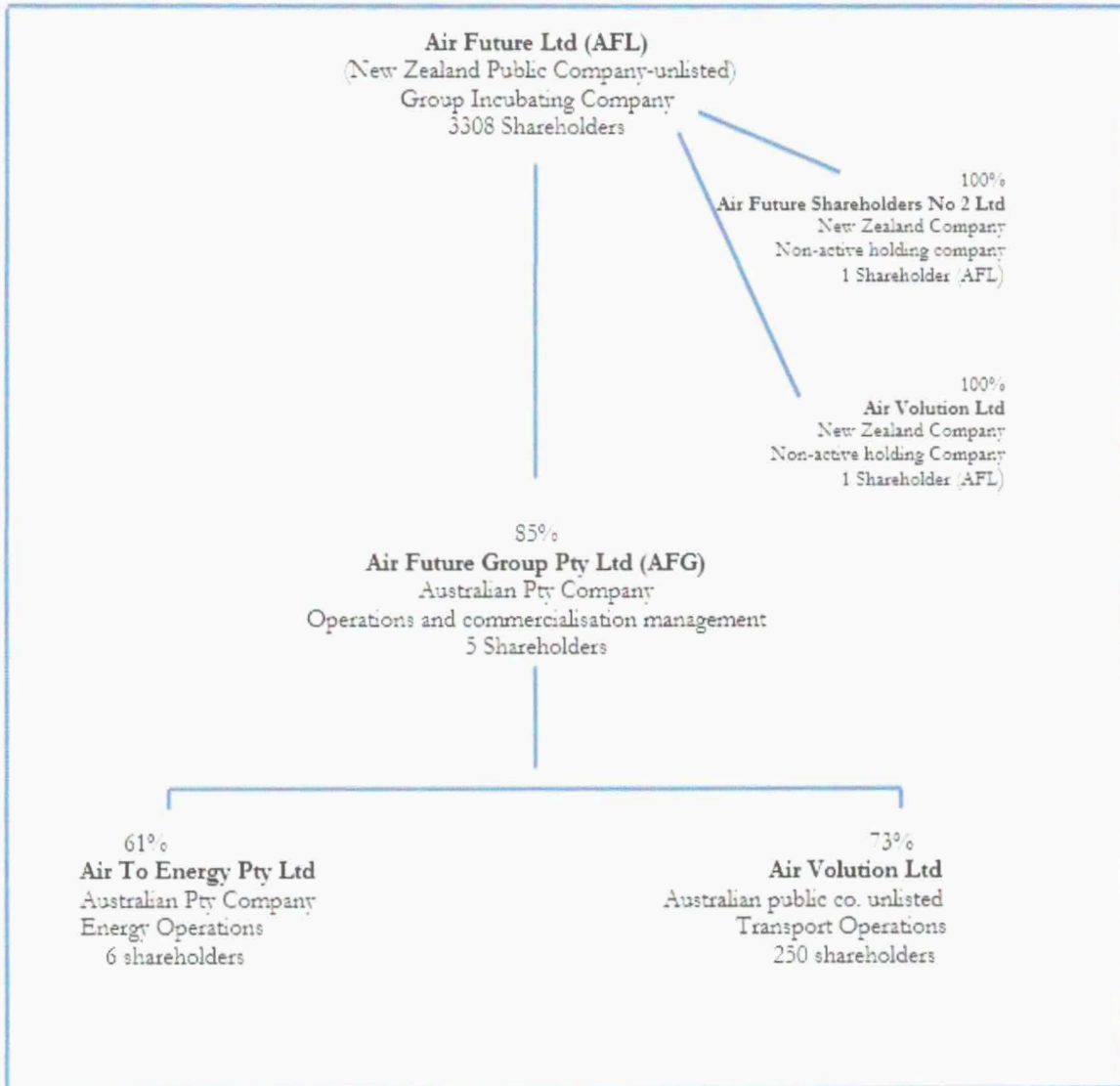
Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

14 Subsidiaries owned at 31 December 2021:

STRUCTURE OF "AIR FUTURE GROUP"



Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

Company Name	Date of Incorporation	Shares on Issue 31/12/21	Shares held by Air Future Ltd 31/12/21	Shares held by Air Future Group Pty Ltd 31/12/20	%age held 31/12/2021	Principal Activities	Balance Date
Air Future Ltd (AFL), N.Z. Co No' 899632	20/03/2018	272,541,202				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			AFL holds 100%	Non active N.Z. holding company	

Air to Energy Pty Ltd: On 30 June 2021 the directors resolved to increase the number of shares on issue by 213,517,652 shares such that the total shares on issue would be increased to 213,527,652. Shares were allocated in the same proportions to all existing shareholders.

Air to Energy Pty Ltd: On 21 October 2021 the directors of Air to Energy Pty Ltd resolved to issue 2,033,600 shares to Volution Trustee Ltd.

15 Advance to MDI SA

	Group 2021	Group 2020
	\$	\$
Advance to MDI SA (gross)	899,686	864,223
Allowance for expected credit loss	(899,686)	(864,223)
Net book value	-	-

The Group had advanced euro 509,891 (2020: 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.

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 advance to MDI SA to nil, rather than including the advance as an asset on the statement of financial position. The Directors have reassessed this at balance date and still maintain the same view.



Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

16 Trade and other payables	Group	Group
	2021	2020
	\$	\$
Trade payables	601,774	590,343
Accruals	29,940	30,976
Employee benefits payable	3,762,691	3,166,459
GST Payable	-	6,660
Total trade and other payables	4,394,405	3,794,438

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 2021. The amounts will be paid to the directors as the company funds allow. Refer to note 23 for further details.

17 Unsecured Advances	Group	Group
	2021	2020
	\$	\$
Advances by third parties	139,624	145,549

The unsecured advances include two advances with closing balances of \$34,481 and \$30,960 that are incurring interest at 10% annually. The remaining \$74,183 is interest free.

18 Government Loans

	2021	2020
	\$	\$
Government Loans Repayable	15,400	15,400

Government loan payable of \$15,400 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	Group
	2021	2020
	\$	\$
Balance at the beginning of the period	1,815,618	1,712,271
Net loan advances during the period	81,642	103,349
Balance at end of the period	1,897,260	1,815,618

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

During the 2018, 2019, 2020 and 2021 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.



Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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	Loans and receivables	Amortised Cost
Group	\$	\$
As at 31 December 2021		
Government grants repayable		(38,663)
Funds held on behalf of shareholders		-
Trade and other receivables	-	
Bank overdraft		(18,682)
Trade payables		(4,391,336)
Unsecured Advances		(139,624)
Borrowings		(1,897,260)
	-	(6,485,565)
As at 31 December 2020		
Government grants repayable		(38,663)
Funds held on behalf of shareholders		(25,120)
Trade and other receivables	-	
Bank overdraft		(15,067)
Trade payables		(3,787,779)
Unsecured Advances		(145,549)
Borrowings		(1,812,618)
	-	(5,824,796)

21 Net cash outflows from operating activities

	Group 2021	Group 2020
	\$	\$
Reconciliation of comprehensive income (loss) with net cash flows from operating activities:		
Profit/(loss) from operations for the year	(877,375)	(832,581)
Depreciation		-
Write down of plant and equipment to realisable value		-
Equity settled share-based payments	(38,265)	267,352
(Increase)/ decrease in trade and other receivables excluding share issue proceeds receivable	(3,829)	1,727
Increase/ (decrease) in trade and other payables	634,187	304,005
Net cash (outflows) from operating activities	(285,282)	(259,495)

Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

22 Capital commitments

There were no capital commitments at 31 December 2021 (2020: \$0)

23 Related Parties

(i) 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 Group during the year ended 31 December 2021 (2020: \$0). They are not entitled to any post-employment benefits, other long-term benefits, termination benefits.

The following Directors were employed by the Group during the year ended 31 December 2021. The Directors' salaries will only be paid as funds allow. The Group has expensed the following amounts for the Directors' services during the December 2021 year:

	2021	2020
	\$	\$
R Fitts	185,531	186,774
G M Kain	185,531	186,774
J Mennega	265,365	286,559
P Gurr	-	-

As at 31 December 2021 Group accruals under trade and other payables include the following accruals relating to unbilled services provided by the directors as employees:

	2021	2020
	\$	\$
R Fitts	731,712	557,841
G M Kain	965,869	797,326
J Mennega	1,333,415	1,081,946
P Gurr	547,434	554,557

As at 31 December 2021 year, \$13,451 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	
	2021	2020
Air Future Ltd		
G M Kain	27,065,059	27,065,059
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



Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 DeNeeffe	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	468
J Mennega	16,500,000	773
R H Fitts	10,000,000	468

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-25
	5,000,000	0.07	31-Jul-17	31-Jul-24
GM Kain	8,000,000	0.07	31-Dec-14	31-Dec-25
	8,500,000	0.07	31-Jul-17	31-Jul-24
P Macaulay	1,500,000	0.07	5-Dec-17	5-Dec-24
Air Volution Ltd				
R H Fitts	5,670,000	0.06	12-Oct-17	31-Dec-26
GM Kain	5,670,000	0.06	12-Oct-17	31-Dec-26
J Mennega	9,180,000	0.06	12-Oct-17	31-Dec-26
F DeNeeffe	500,000	0.06	14 Aug-20	31-Dec-26

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 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.



Air Future Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 (2020: 7,013,818) 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 Neeffe 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 4,0153,207 shares (2020: 1,785) 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 Neeffe 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 (2020: 341) 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 Neeffe are discretionary beneficiaries of the trust.

(iii) Loans from Directors

As at 31 December 2021 the directors have lent the Group \$1,897,260 by way of loans (2020: \$1,815,618).

Included in the Loans from Directors are advances from Mr Fitts of \$1,482,084. 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.

(iv) Key management personnel

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

24 Events subsequent to balance date

The company successfully ran a crowd funding campaign which closed on the 31 March 2022. A total of \$259,400 was raised from this campaign before deducting any commissions paid to the crowd funding platform.

Apart from the above, there have been no further events subsequent to balance date that will have a material impact on the financial statements.

26 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 2021 Financial Statements and Audit Report could not be completed within the filing period. The completion and filing of the Financial Statements and audit report will be addressed immediately after sign-off. The Company considers that future audit and filing requirements can be attended to within the required period. (2020: The financial statements for the year ended 31 December 2020 were lodged with the Registrar on 15 November 2021).



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 3 to 26, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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.

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
<p>Related Party Transactions</p> <p>We consider related party transactions to be a key audit matter because there is a risk that:</p> <ul style="list-style-type: none"> ▪ 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; <p>it could materially influence the readers of the consolidated financial statements.</p> <p>Note 23 discloses transactions between the Group and its related parties, which are material in amount and by nature.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> ▪ 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
<p>Legislative Compliance</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures, amongst others, included:</p> <ul style="list-style-type: none"> ▪ obtaining an 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 2021 (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 AUDIT LIMITED

Wellington, New Zealand

7 June 2022