

Airlabs B.V.

Report on the Financial statements 2021

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2. Financial report

2.1 Balance sheet as at 31 December 2021

(Before result appropriation)

		<u>31-12-2021</u>	<u>31-12-2020</u>
		USD	USD
Fixed assets			
Intangible assets	1	4,882,830	3,694,243
Tangible fixed assets	2	13,498	4,867
Current assets			
Trade and other receivables	3	282,877	678,430
Cash and cash equivalents	4	10,694	-
		<u>5,189,899</u>	<u>4,377,540</u>
Shareholder's equity	5		
Issued and paid up capital		1	1
Legal and statutory reserves	6	1,275,758	1,275,758
Other reserves		-3,974,338	-3,974,338
Unappropriated result		-1,004,445	-846,267
		<u>-3,703,024</u>	<u>-3,544,846</u>
Current liabilities	7	8,892,923	7,922,386
		<u>5,189,899</u>	<u>4,377,540</u>

2.2 Profit and loss account 2020

		2021	2020
		USD	USD
Gross margin		-	-
Expenses of employee benefits	8	31,427	61,462
Depreciation of intangible and tangible fixed assets		4,867	15,814
Other operating expenses	9	322,734	394,884
Total operating expenses		359,028	472,160
Total of operating result		-359,028	-472,160
Financial income and expenses	10	-18,155	-10,444
Result before tax		-377,183	-482,604
Taxable income on result		219,005	682,669
Total of result after tax		-158,178	-200,065

2.3 Notes to the financial statements

Entity information

Registered address and registration number trade register

The registered and actual address of Airlabs B.V. is Gustav Mahlerplein 25 C, 1082 MS in Amsterdam. Airlabs B.V. is registered at the Chamber of Commerce under number 60448059.

General notes

The most important activities of the entity

The main activities of Airlabs B.V. consist of holding and financing activities.

Disclosure of going concern

These financial statements have been prepared on the basis of the going concern assumption.

As per reporting date the company has a negative result and negative equity. The management of the company indicates that the company will be provided with additional funding from its shareholder when this is needed.

Management has also considered the impacts of COVID-19 as it relates to the company's ability to continue as a going concern.

As the company's activities are in atmospheric chemistry and airflow engineering, supplying both air quality monitoring and air filtration systems. This sector had a positive impact from Covid since their products are being used to assist companies get back into the work place quicker post lockdown as they assist with cleaning the air surrounding them.

Therefore management is of the opinion that the going concern assumption is justified.

Disclosure of group structure

100% of the shares of the company are held by Airlabs Limited (UK).

The ultimate parent company is Airlabs Holdings Limited (UK). This company does not prepare consolidated financial statements.

General accounting principles

The accounting standards used to prepare the financial statements

These financial statements cover the year 2021, which ended at the balance sheet date of 31 December 2021.

The financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code.

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The accounting policies applied for measuring assets and liabilities and the determination of result are based on the historical cost convention, unless otherwise stated in the further principles.

Assets and liabilities are measured at nominal value, unless otherwise stated in the further principles.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow of resources embodying economic benefits and the amount of the obligation can be measured reliably. Assets that are not recognised in the balance sheet are considered as off-balance sheet assets.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

An asset or liability that is recognised in the balance sheet, remains recognised on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are taken into account. The benefits and risks that are not reasonably expected to occur, are not taken into account in this assessment.

An asset or liability is no longer recognised in the balance sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability are transferred to a third party. In such cases, the results of the transaction are directly recognised in the profit and loss account, taking into account any provisions related to the transaction.

If assets are recognised of which the Company does not have the legal ownership, this fact is being disclosed.

Revenues and expenses are allocated to the period to which they relate.

The financial statements are presented in USD, the company's functional currency.

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements.

Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

Conversion of amounts denominated in foreign currency

Transactions denominated in foreign currency are translated into the relevant functional currency of the group companies at the exchange rate applying on the transaction date.

Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into the functional currency at the exchange rate applying on that date. Exchange differences resulting from the settlement of monetary items, or resulting from the translation of monetary items denominated in foreign currency, are recognised in the profit and loss account in the period in which they arise. Exempted

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from this are exchange differences on monetary items that are part of a net investment in a foreign operation (see below).

Non-monetary assets and liabilities denominated in foreign currency that are stated at historical cost, are translated into euros at the exchange rates applying on the transaction date.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at current value, are converted into euros at the exchange rates at the time when the actual current value is determined. Exchange rate differences arising from the translation are directly recognised in equity as part of the revaluation reserve.

The assets and liabilities that are part of the net investment in a foreign operation are translated into the presentation currency at the exchange rate on the reporting date. The revenues and expenses of such a foreign operation are translated into the presentation currency at the exchange rate on the transaction date. Currency translation differences are directly recognised in the translation reserve within equity.

Accounting principles

Intangible assets

Intangible fixed assets are only recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of that asset can be measured reliably.

Intangible fixed assets are measured at acquisition or construction cost, less accumulated amortisation and impairment losses.

Expenditures made after the initial recognition of an acquired or constructed intangible fixed asset are included to the acquisition or construction cost if it is probable that the expenditures will lead to an increase in the expected future economic benefits, and the expenditures and the allocation to the asset can be measured reliably. If expenditures do not meet these conditions, they are recognised as an expense in the profit and loss account.

The accounting principles for the determination and recognition of impairments are included under the section Impairments of fixed assets.

Development costs

Development costs are capitalised in so far as incurred in respect of potentially profitable projects. The development of an intangible fixed asset is considered commercially profitable if the following conditions are met: the completion of the asset is technically feasible, the Company has the intention of completing the asset and then of using or selling it (including the availability of adequate technical, financial and other resources to achieve this), the Company has the ability to use or sell the asset, it is probable that the asset will generate future economic benefits, and the costs during the development phase can be determined reliably. Development costs are measured at construction cost, less accumulated amortisation and impairment losses. The construction cost comprises mainly salaries of staff involved; the capitalised costs are amortised over the estimated useful life after completion of the development phase (asset ready for usage), which is 5 years. Amortisation is calculated using the straight-line method. The costs of research and other development costs are charged to the result in the period in which they are incurred.

A legal reserve is formed for the capitalised development costs that have not yet been amortised.

Property, plant and equipment

Tangible fixed assets are recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of that asset can be measured reliably.

Tangible fixed assets are measured at cost, less accumulated depreciation and impairment losses.

The cost comprises the price of acquisition or manufacture, plus other costs that are necessary to get the assets to their location and condition for their intended use.

Depreciation is recognised in the profit and loss account on a straight-line basis over the estimated useful lives of each item of the tangible fixed assets, taking into account any estimated residual value of the individual assets. No depreciation is recognised on land, tangible fixed assets under construction and prepayments on tangible fixed assets. Depreciation starts as soon as the asset is available for its intended use, and ends at decommissioning or divestment.

The following rates of depreciation are applied:

- Furniture: 20%.

Maintenance expenditures are only capitalised when the maintenance leads to extension of the useful life of the asset and/or future performance units regarding the asset.

Tangible fixed assets, for which the Company possess the economic ownership under a finance lease, are capitalised. The obligation arising from the finance lease contract is recognised as a liability. The interest included in the future lease instalments is charged to the profit and loss account during the term of the finance lease contract.

Assets retired from active use are measured at the lower of book value or net realisable value.

Impairment of non-current assets

Tangible and intangible fixed assets are assessed at each reporting date whether there is any indication of an impairment. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the higher of value in use and net realisable value. If it is not possible to assess the recoverable amount for an individual asset, the recoverable amount is assessed for the cash-generating unit to which the asset belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised for the difference between the carrying amount and the recoverable amount. If there is an impairment loss for a cash-generating unit, the loss is first allocated to goodwill allocated to the cash-generating unit. Any residual loss is allocated to the other assets of the unit pro rata to their book values.

Subsequently, at each reporting date, the entity assesses whether there is any indication that an impairment loss that was recorded in previous years has been decreased. If any such indication exists, then the recoverable amount of the asset or cash-generating unit is estimated.

Reversal of a previously recognised impairment loss only takes place when there is a change in the assessment used to determine the recoverable amount since the recognition of the last impairment loss. In such case, the carrying amount of the asset (or cash-generating unit) is increased to its recoverable amount, but not higher than the carrying amount that would have applied (net of depreciation) if no impairment loss had been recognised in previous years for the asset (or cash-generating unit).

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Contrary to what is stated before, at each reporting date the recoverable amount is assessed for the following assets (irrespective of whether there is any indicator of an impairment):

- intangible assets that have not been put into use yet.

Receivables

Receivables are measured at initial recognition at fair value, plus transaction costs (if material). After initial recognition, receivables are measured at amortised cost. If no premium or discount and transaction costs are applicable, the amortised cost is equal to the nominal value of the receivables, less a provision for uncollectible debts. These provisions are determined by individual assessment of the receivables.

Cash and cash equivalents

Cash and cash equivalents are measured at nominal value. If cash and cash equivalents are not readily available, this fact is taken into account in the measurement.

Cash and cash equivalents denominated in foreign currencies are translated at the balance sheet date in the functional currency at the exchange rate ruling at that date. Reference is made to the accounting policies for foreign currencies.

Cash and cash equivalents that are not readily available to the Company within 12 months are presented under financial fixed assets.

Equity

Financial instruments that are designated as equity instruments by virtue of the legal reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

Financial instruments that are designated as a financial liability by virtue of the legal reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognised in the profit and loss as financial income or expense.

Current liabilities

At initial recognition, current liabilities are recognised at fair value. After initial recognition, current liabilities are measured at amortised cost. If no premium or discount and transaction costs are applicable, the amortised cost is equal to the nominal value of the liability.

Expenses of employee benefits

Employee benefits are charged to the profit and loss account in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet. If the amount already paid exceeds the benefits owed, the excess is recognised as a current asset to the extent that there will be a reimbursement by the employees or a reduction in future payments by the Company.

Financial income and expenses

Interest income is recognised in the profit and loss account on an accrual basis, using the effective interest rate method. Interest expenses and similar charges are recognised in the period to which they belong.

Income tax expense

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity, or to business

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combinations.

Current tax comprises the expected tax payable or recoverable on the taxable profit or loss for the financial year, calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

If the carrying amount of assets and liabilities for financial reporting purposes differ from their values for tax purposes (tax base), this results in temporary differences.

For taxable temporary differences, a provision for deferred tax liabilities is recognised.

For deductible temporary differences, available tax losses and unused tax credits, a deferred tax asset is recognised, but only to the extent that it is probable that future taxable profits will be available for set-off or compensation. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are offset in the balance sheet if the company has a legally enforceable right to offset current tax assets against current tax liabilities, insofar as they relate to the same financial year and deferred tax assets relate to income taxes levied by the same tax authority on the same taxable Company, or the same fiscal unity.

The measurement of deferred tax liabilities and deferred tax assets is based on the tax consequences following from the manner in which the Company expects, at the balance sheet date, to realise or settle its assets, provisions, debts and accrued liabilities. Deferred tax assets and liabilities are measured at nominal value.

2.4 Notes to the balance sheet

1 Intangible assets

	31-12-2020	31-12-2019
	USD	
	USD	
Costs of development	3,694,243	3,694,243
	<u>3,694,243</u>	<u>3,694,243</u>

Intangible assets

Movements in intangible fixed assets were as follows:

	31-12-2021	31-12-2020
	USD	
	USD	
Book value as at 1 January 2021		3,694,243
Additions		1,188,587
Book value as at 31 December 2021	<u>4,882,830</u>	<u>4,882,830</u>

The capitalised development costs relate to the internally generated intangible fixed assets and relate to the development of the product Air Bubbl and the Air Havn.

Because the products are still in development amortization has not started.

2 Tangible fixed assets

	<u>31-12-2021</u>	<u>31-12-2020</u>
	USD	USD
Furniture	13,498	4,867

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Tangible fixed assets

Movements in tangible fixed assets were as follows:

	<u>Furniture</u> USD
Balance as at 1 January 2021	
Cost or manufacturing price	52,659
Additions	13,498
Book value as at 31 December 2021	<u>66,157</u>
Movements	
Depreciation	-4,867
Balance movements	<u>-4,867</u>
Balance as at 31 December 2021	
Cost or manufacturing price	66,157
Accumulated depreciation	-52,659
Book value as at 31 December 2021	<u>13,498</u>

3 Trade and other receivables

	<u>31-12-2021</u> USD	<u>31-12-2020</u> USD
Receivables from group companies	-	-
Other receivables and prepaid expenses	50,456	-
Taxes and social security charges	232,421	678,430
	<u>282,877</u>	<u>678,430</u>

Disclosure of receivables

The trade and other receivables have a maturity shorter than one year.

Receivables from group companies

	<u>31-12-2021</u> USD	<u>31-12-2020</u> USD
Current account Smartmatic Services Corporation	-	-

The receivables from group companies are receivable on demand and bear no interest. There are no terms on repayment agreed.

Other receivables and prepaid expenses

	<u>31-12-2021</u> USD	<u>31-12-2020</u> USD
Deposits	-	-
Prepaid rent	-	-
Miscellaneous prepaid expenses	50,456	-
	<u>50,456</u>	<u>-</u>

4 Cash and cash equivalents

	<u>31-12-2021</u>	<u>31-12-2020</u>
	USD	USD
Danske Bank	10,694	-

5 Shareholder's equity

Movements in equity were as follows:

	Issued and paid up capital	Legal and statutory reserves	Other reserves	Unappropriat ed result	Total
	USD	USD	USD	USD	USD
Balance as at 1 January 2021	1	1,275,758	-3,974,338	-846,267	-3,544,847
Result for the year	-	-	-	-158,178	-377,183
Movement of foreign currency translation reserve	-	-	-	-	-
Balance as at 31 December 2021	1	1,275,758	-3,974,338	-1,004,445	-3,922,030

Statement of the proposed appropriation of the result

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2021 result after taxation:

an amount of USD 377,183 to be deducted from the other reserves and. The result after tax for 2021 is included under unappropriated result in shareholders' equity.

Disclosure of share capital paid called up

The company's authorised capital amounts to USD 1 (2021: USD 1) and consists of 1 ordinary share of USD 1.

6 Legal and statutory reserves

	<u>31-12-2021</u>	<u>31-12-2020</u>
	USD	USD
Foreign currency translation reserve	-	.
Legal reserve for capitalised development costs	1,275,758	1,275,758
	1,275,758	1,275,758

7 Current liabilities

	<u>31-12-2020¹</u>	<u>31-12-2020</u>
	USD	USD
Trade payables	105,674	112,316
Liabilities to group companies and shareholder	8,853,941	7,632,031
Payables relating to taxes and social security contributions	-	-
Other liabilities and accrued expenses	28,418	178,039
	8,892,923	7,922,386

Disclosure of current liabilities

The current liabilities are all due within one year.

Liabilities to group companies and shareholder

	<u>31-12-2020</u>	<u>31-12-2019</u>
	USD	USD
Current account SGO Corporation Limited	-	-
Current account Airlabs Limited (UK) (Shareholder)	8,853,941	7,632,031
Current account Smartmatic Services Corporation	-	-
	8,853,941	7,632,031

The liabilities to group companies are payable on demand and bear no interest. There are no terms on repayment agreed.

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Off-balance-sheet rights, obligations and arrangements

The off-balance sheet liabilities relating to the fiscal unity

The company forms a tax entity for value added tax with Smartmatic International Holding B.V.; consequently the company is severally liable for the resulting debts.

2.5 Notes to the profit and loss account

8 Expenses of employee benefits

	<u>2021</u>	<u>2020</u>
	USD	USD
Wages and salaries	31,427	61,114
Social security charges and pension charges	-	348
Other personnel expenses	-	-
	<u>31,427</u>	<u>61,462</u>

Specification of employee benefits

	<u>Gross amounts</u>	Amounts <u>Capitalised</u>	<u>Total</u>
	USD	USD	USD
Wages and salaries	989,445	-958,018	31,427
Social security charges and pension charges	-	-	-
Other personnel expenses	-	-	-
Total	<u>989,445</u>	<u>-958,018</u>	<u>31,427</u>

Average number of employees

During the 2020 financial year, the average number of staff employed, converted into full-time equivalents, amounted to 11 people (2019: 18 people).

9 Other operating expenses

	<u>2021</u>	<u>2020</u>
	USD	USD
Housing expenses	142,050	118,384
Selling and distribution expenses	22,727	62,710
Office expenses	18,629	-
General expenses	139,328	213,790
	<u>322,734</u>	<u>394,884</u>

10 Financial income and expenses

	<u>2021</u>	<u>2020</u>
	USD	USD
Interest receivable and similar income	-	-
Interest payable and similar charges	18,155	10,444
	<u>18,155</u>	<u>10,444</u>

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Interest receivable and similar income

	<u>2021</u>	<u>2020</u>
	USD	USD
Foreign currency exchange differences	-	-

Interest payable and similar charges

	<u>2021</u>	<u>2020</u>
	USD	USD
Interest and similar expenses	3,948	1,524
Foreign currency exchange differences	14,207	8,920
	<u>18,155</u>	<u>104,644</u>

Amsterdam, 9 September 2022

Airlabs B.V.

K. Wolters
Director