

**AIR FUTURE LIMITED**  
(formerly Indranet Technologies Limited)

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

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**AIR FUTURE LIMITED**  
**FINANCIAL STATEMENTS**  
**DIRECTORY**

**For the Year Ended 31 December 2015**

**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)  
Dan Hilgendorf  
Michael Kain  
Peter Macaulay

**PRINCIPAL ACTIVITIES:**

Air Future Limited is a technology development and commercialisation company in the field of communication, energy and transport.

**AUDITORS:**

PKF Goldsmith Fox Audit

**BANKERS:**

Westpac Banking Corporation

**COMPANY NUMBER:**

899632

**REGISTERED OFFICE:**

201 Memorial Avenue  
Christchurch 8053

**FINANCIAL STATEMENTS**

**OF**

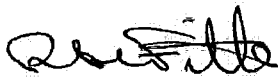
**AIR FUTURE LIMITED  
AND ITS ASSOCIATE**

**For the Year Ended 31 December 2015**

**APPROVAL BY DIRECTORS**

The directors are pleased to present the financial statements of Air Future Ltd for the year ended 31 December 2015 on pages 4 to 38.

The directors authorised the issue of these financial statements on the 29 June 2016.



Director R H Fitts



Director G M Kain

For and on behalf of the Board of Directors

# Air Future Limited

## Statements of Comprehensive Income

For the year ended 31 December 2015

	Note	Group 2015 \$	Group 2014 \$	Parent 2015 \$	Parent 2014 \$
Revenue	5	-	-	106,667	104,620
Finance income		-	1	-	1
Dividend income		-	-	-	-
Gain on sale of shares in subsidiary Air Volution Ltd	17	-	49,061	-	49,061
Loss on write off of assets purchased from associate company IT Mainland Limited	16	(831,745)	-	(831,745)	-
Expenses	6	(139,622)	(168,728)	(185,852)	(230,575)
Finance expenses		5,512	(40,159)	(10,788)	(26,396)
Parent shareholders gain on minority interest contributions	11	125,048	-	-	-
Write on (off) irrecoverable minority interest	11	7,874	(23,629)	-	-
Profit (loss) before income tax		(832,933)	(183,454)	(921,718)	(103,289)
Income tax credit	8	-	-	-	-
Profit (loss) from operations		(832,933)	(183,454)	(921,718)	(103,289)
Net (profit) loss attributable to minority interest	11	24,006	32,974	-	-
<b>Profit (loss) from operations attributable to parent shareholders</b>		<b>(808,927)</b>	<b>(150,480)</b>	<b>(921,718)</b>	<b>(103,289)</b>
Other comprehensive income		-	-	-	-
<b>Comprehensive income (loss) attributable to parent shareholders</b>		<b>(808,927)</b>	<b>(150,480)</b>	<b>(921,718)</b>	<b>(103,289)</b>

The above statements of comprehensive income should be read in conjunction with the accompanying Notes to the Financial Statements on pages 8 to 38.

# Air Future Limited

## Statements of Changes in Equity

For the year ended 31 December 2015

	Note	Group 2015 \$	Group 2014 \$	Parent 2015 \$	Parent 2014 \$
<b>Total equity at the beginning of the financial period</b>					
Parent shareholders' equity		(2,860,787)	(2,710,307)	(2,655,513)	(2,552,224)
Minority interest equity		-	-	-	-
		<u>(2,860,787)</u>	<u>(2,710,307)</u>	<u>(2,655,513)</u>	<u>(2,552,224)</u>
<b>Comprehensive income (loss) for the period, comprising</b>					
Parent shareholders' interest		(808,927)	(150,480)	(921,718)	(103,289)
Minority interest		(24,006)	(32,974)	-	-
		<u>(832,933)</u>	<u>(183,454)</u>	<u>(921,718)</u>	<u>(103,289)</u>
<b>Transactions with equity holders in their capacity as equity holders</b>					
Parent shareholders' contributions of equity	9	1,121,160	-	1,121,160	-
Sale of shares in subsidiary to minority interest	11	-	9,345	-	-
Minority interest shareholders' contributions of equity	11	156,928	-	-	-
Parent gain on minority interest shareholders' contributions of equity	11	(125,048)	-	-	-
Movement in irrecoverable minority interest	11	(7,874)	23,629	-	-
		<u>1,145,166</u>	<u>32,974</u>	<u>1,121,160</u>	<u>-</u>
<b>Total equity at the end of the financial period</b>					
Parent shareholders' equity		(2,548,554)	(2,860,787)	(2,456,071)	(2,655,513)
Minority interest equity		-	-	-	-
		<u>(2,548,554)</u>	<u>(2,860,787)</u>	<u>(2,456,071)</u>	<u>(2,655,513)</u>

The above statements of changes in equity should be read in conjunction with the accompanying Notes to the Financial Statements on pages 8 to 38.

# Air Future Limited

## Statements of Financial Position

As at 31 December 2015

	Note	Group 2015 \$	Group 2014 \$	Parent 2015 \$	Parent 2014 \$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	12	17,570	1,114	17,077	-
Trade and other receivables	13	4,023	1,665	3,271	1,057
Income tax refund due	8	-	-	-	-
<b>Total current assets</b>		<b>21,593</b>	<b>2,779</b>	<b>20,348</b>	<b>1,057</b>
<b>Non-current assets</b>					
Property, plant and equipment	14	123	173	123	173
Intangible assets	15	-	-	-	-
Investments accounted for using the equity method	16	-	-	-	-
Investments in subsidiaries	17	-	-	-	-
Advance to MDI SA	18	-	-	-	-
<b>Total non-current assets</b>		<b>123</b>	<b>173</b>	<b>123</b>	<b>173</b>
<b>Total assets</b>		<b>21,716</b>	<b>2,952</b>	<b>20,471</b>	<b>1,230</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Bank overdraft	19	-	7,566	-	7,566
Trade and other payables	20	1,171,242	1,224,524	1,078,079	1,125,496
Unsecured advances	21	78,723	101,627	78,723	101,627
Loans from Directors	22	1,106,972	1,320,773	1,106,407	1,212,805
Financing loan	23	213,333	209,249	213,333	209,249
<b>Total current liabilities</b>		<b>2,570,270</b>	<b>2,863,739</b>	<b>2,476,542</b>	<b>2,656,743</b>
<b>Non-current liabilities</b>					
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>2,570,270</b>	<b>2,863,739</b>	<b>2,476,542</b>	<b>2,656,743</b>
<b>Net assets</b>		<b>(2,548,554)</b>	<b>(2,860,787)</b>	<b>(2,456,071)</b>	<b>(2,655,513)</b>
<b>EQUITY</b>					
Contributed equity	9	20,514,224	19,393,064	20,514,224	19,393,064
Accumulated losses	10	(23,062,778)	(22,253,851)	(22,970,295)	(22,048,577)
Parent shareholders' equity		(2,548,554)	(2,860,787)	(2,456,071)	(2,655,513)
Minority interest	11	-	-	-	-
<b>Total equity</b>		<b>(2,548,554)</b>	<b>(2,860,787)</b>	<b>(2,456,071)</b>	<b>(2,655,513)</b>

The above statements of financial position should be read in conjunction with the accompanying Notes to the Financial Statements on pages 8 to 38.

# Air Future Limited

## Statements of Cash Flow

For the year ended 31 December 2015

	Note	Group 2015 \$	Group 2014 \$	Parent 2015 \$	Parent 2014 \$
<b>Cash Flows From Operating Activities</b>					
Cash was provided from (applied to):					
Receipts from customers		-	-	43,375	104,620
Interest and dividends received		-	1	-	1
Payments to employees and suppliers (inclusive of Goods & Services Tax)		(204,655)	(173,962)	(204,374)	(145,555)
Interest paid		(10,788)	(40,159)	(10,788)	(26,396)
Income tax (paid) refunded	8	-	-	-	-
Net cash (outflow) from operating activities	25	(215,443)	(214,120)	(171,787)	(67,330)
<b>Cash Flows From Investing Activities</b>					
Cash was provided from (applied to):					
Issue of shares by subsidiary to parent	17	-	-	-	(114,095)
Sale of shares in subsidiary by parent	17	-	58,406	-	58,406
Purchase of IT Mainland Ltd assets	16	(831,745)	-	(831,745)	-
Net cash inflow from investing activities		(831,745)	58,406	(831,745)	(55,689)
<b>Cash Flows From Financing Activities</b>					
Cash was provided from (applied to):					
Proceeds from issue of shares in parent	9	1,121,160	-	1,121,160	-
Proceeds from issue of shares in subsidiary	11	156,928	-	-	-
Expenses incurred in preparation for share issue		(6,490)	(5,231)	-	-
Advances (to) from associate	13	33,842	2,325	33,842	2,325
Unsecured advances proceeds (repaid)	21	(20,429)	(2,523)	(20,429)	(2,523)
Directors' loans proceeds (repaid)	22	(213,801)	159,359	(106,398)	133,084
Net cash flow from financing activities		1,071,210	153,930	1,028,175	132,886
<b>Net increase (decrease) in cash and cash equivalents</b>		24,022	(1,784)	24,643	9,867
Cash and cash equivalents at beginning of period		(6,452)	(4,668)	(7,566)	(17,433)
<b>Cash and cash equivalents at end of period</b>	12	17,570	(6,452)	17,077	(7,566)

The above statements of cash flow should be read in conjunction with the accompanying Notes to the Financial Statements on pages 8 to 38.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 1 General information

Air Future Limited (the "Company" or "Parent") is a technology development and commercialisation company. The Company's principal revenues are intended to come by way of dividends that will be derived through the commercialisation of the Company's own and MDI technologies through downstream ventures.

The Company's principal expenditure items are for early stage market development. This will remain an ongoing requirement. Until such times as revenues meet the ongoing Company expenditure the Company has been reliant upon obtaining working capital requirements through advances from directors and capital raising through the issue of share capital in itself and subsidiaries.

The Company and Group hold rights in respect of the MDI compressed air engine technology for Australasia and part of the Pacific Islands. The MDI technology has applications for transport and energy.

The Company's own technology is focused on advanced non-hierarchical mesh networks. This type of network has an extremely broad field of potential applications. The Company's technology enables a strategic redefinition of the corresponding sectors of communications, energy and transport.

The Company is a limited liability company incorporated and domiciled in New Zealand. The Company changed its name from Indranet Technologies Limited to Air Future Limited on 17 December 2015. The address of its registered office is 201 Memorial Avenue, Christchurch 8053.

These financial statements have been approved for issue by the Board of Directors on 29 June 2016. The entity's directors do not have the power to amend these financial statements once issued.

### 2 Summary of significant accounting policies

These 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 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.

The financial statements include separate financial statements for Air Future Limited as a separate legal entity and the consolidated entity consisting of the Company and its subsidiaries.

#### *Entity reporting*

The Company is designated as a profit oriented entity for financial reporting purposes.

#### *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 1993 and the Companies Act 1993.

#### *Adoption of new and revised Standards and Interpretations*

The Company 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 Company's assets and liabilities.





# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 2 Summary of significant accounting policies (continued)

#### *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 Company has not early adopted. The Company 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 revaluation 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 Company'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 financial statements have been prepared on the basis of realising the assets and liabilities, as opposed to a going concern basis.

The Group and Company are reliant on future capital raising to provide funding for its continuing technology development and market development ambitions. As the success of this future capital raising is not certain, the financial statements have been prepared on a realisation basis.

#### (d) Consolidation of subsidiaries and accounting for associates:

The group financial statements consolidate the financial statements of subsidiaries using the purchase method, and include results of associates using the equity 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. Air Volution Ltd commenced trading on the 1<sup>st</sup> August 2006 and its results have been included in the Group figures since 2006.

#### (e) Foreign currency translation

##### (i) 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 financial statements are presented in New Zealand dollars, which is the Company's functional currency and the Group's presentation currency.

##### (ii) Transactions and balances

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.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 2 Summary of significant accounting policies (continued)

#### (f) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

##### (i) Sales of goods

Sales of goods are recognised when the Company has delivered a product to the customer. The recorded revenue is the gross amount of the sale.

##### (ii) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

##### (iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

##### (iv) Dividend income

Dividends are recognised as revenue when the right to receive the dividend is established.

#### (g) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are directly attributable to the acquisition or construction of a qualifying asset. A qualifying asset must take at least one year to get ready for its intended use and may relate to property, plant and equipment or exploration and development expenditure.

#### (h) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of the Company's financial assets and liabilities is deemed to approximate their carrying amount due to their short term nature.

#### (i) Goods and Service Tax (GST)

The statement of comprehensive income and statement of cash flow 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.

#### (j) 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 assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 2 Summary of significant accounting policies (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

#### (k) 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 other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

Plant and equipment	14% 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).

#### (l) 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.

#### (m) Research and development

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use. Development costs are recognised as an asset when all of the following criteria are met:

- (i) The product or process is clearly defined and the costs attributable to the product or process can be identified separately and measured reliably;
- (ii) The technical feasibility of the product or process can be demonstrated;
- (iii) The Company intends to produce and market, or use, the product or process;
- (iv) The existence of a market for the product or process or its usefulness to the Company, if it is to be used internally, can be demonstrated; and
- (v) Adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 2 Summary of significant accounting policies (continued)

Capitalisation is limited to that amount which, taken together with further related costs, is probable of recovery from related future economic benefits.

Development costs recognised as an asset are amortised on a straight-line basis over the period of expected benefits.

All other developments costs and all research costs are recognised as expenses in the year in which they are incurred.

#### (n) Investments and other financial assets

The Group classifies its investments in the following categories: loans and receivables and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

#### (i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. Loans and receivables are included in 'trade and other receivables' in the statement of financial position.

#### (ii) Available for sale financial assets

Available for sale financial assets are non derivatives that are either designated in this category or not classified in any other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of the balance 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.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Income Statement within operating profit in the period in which they arise.

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.

#### (o) 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).

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 2 Summary of significant accounting policies (continued)

#### (p) 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 within borrowings in current liabilities on the statement of financial position.

#### (q) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company or Group will not be able to collect all the amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within "Expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "Expenses" in the statement of comprehensive income.

#### (r) Trade and other payables

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

#### (s) 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 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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

#### (t) Leased assets

- (i) Finance leases: Leases in which the Company or Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets under finance leases are recognised as non-current assets in the statement of financial position. Leased assets are recognised initially at the present value of the lease payments. A corresponding liability is established and each lease payment allocated between the liability and the interest expense. Leased assets are depreciated on the same basis as equivalent property, plant and equipment.
- (ii) Operating leases: Leases that are not finance leases are classified as operating leases. Operating lease payments are recognised as an expense in the periods the amounts are payable.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 2 Summary of significant accounting policies (continued)

#### (u) 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.

#### (v) 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. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

#### (w) Change in accounting policies

There have been no changes in accounting policies.

### 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 technology development and 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 2014 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 2015 financial statements on a realisation basis.

The impact of this change on the year ended 31 December 2015 financial statements is as follows:

	Group 2015 \$	Group 2014 \$	Parent 2015 \$	Parent 2014 \$
Write off prepayment of capital raising expenses	6,490	5,231	-	-
Total additional expense included in Statement of Comprehensive Income	6,490	5,231	-	-

#### *Provision against investment in and receivable from subsidiary company Air Volution Limited*

Due to the inherent uncertainty of recoverability of the investment in Air Volution Limited, \$526,292, due to not yet having commenced commercial operations, the directors in 2008 approved the write down of the investment in Air Volution Limited to nil, rather than including the investment 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 investment should not be included as an asset on the statement of financial position.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 3 Critical accounting estimates (continued)

#### *Provision against receivable from subsidiary company Air Volution Limited*

Due to the inherent uncertainty of recoverability of the receivable in Air Volution Limited, \$63,292, due to not yet having commenced commercial operations, the directors are of the view that the receivable should not be included as an asset on the statement of financial position.

#### *Non-capitalisation of research and development costs*

The Company has incurred costs in researching and developing a wireless fractal mesh ("FraMe") network and a point of use electricity generation unit. These costs have not been capitalised due to the inherent uncertainty of recoverability, due to the technology not having yet reached a commercially viable stage.

#### *Write off of assets purchased from associate company IT Mainland Limited*

On 31 October 2015 the Company entered into an agreement with IT Mainland Ltd for the Company to purchase all of the assets, rights, interest and intellectual property held by IT Mainland Ltd for \$831,745. This consideration was met by IT Mainland Ltd repurchasing all of the Company's shares in IT Mainland Ltd for nil value, the Company issuing 11,073,721 ordinary shares fully paid at \$0.07 per share to IT Mainland Ltd and the payment by the Company to IT Mainland Ltd of \$56,585 to enable the repayment of the amount IT Mainland Ltd owed the Company on 31 October 2015. The IT Mainland Ltd assets, rights, interest and intellectual property purchased have been written off and not included as an asset on the statement of financial position due to the inherent uncertainty of recoverability, due to both the Company's and MDI's technologies not having yet reached a commercially viable stage.

#### *Provision against investment in associate company IT Mainland Limited*

Due to the inherent uncertainty of recoverability of the investment in IT Mainland Limited due to not yet having commenced commercial operations, the directors in 2005 and subsequent years to 2014 approved the write down of the investment in IT Mainland Limited to nil, rather than including the investment as an asset on the statement of financial position. During the 2015 year the Company's shareholding in IT Mainland Limited was repurchased by IT Mainland Limited for nil value as part of the purchase of IT Mainland Limited's assets by the Company and as such there is no investment in IT Mainland Limited as at 31 December 2015.

#### *Provision against receivable from associate company IT Mainland Limited*

Due to the inherent uncertainty of recoverability of the receivable from IT Mainland Limited due to not yet having commenced commercial operations, the directors in 2012, 2013 and 2014 approved the write down of the receivable due from IT Mainland Limited to nil, rather than including the receivable as an asset on the statement of financial position. During the 2015 year the receivable from IT Mainland Limited was repaid as part of the purchase of IT Mainland Limited's assets by the Company and as such there is no receivable from IT Mainland Limited as at 31 December 2015.

#### *Provision against advance to MDI SA*

Due to the inherent uncertainty of recoverability of the advance to MDI SA, \$814,392, 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 not be included as an asset on the statement of financial position.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 3 Critical accounting estimates (continued)

#### *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, \$426,667, 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 not be included as an asset on the statement of financial position.

### 4 Financial risk management

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

#### (a) Market risk

(i) **Currency risk:** The Company operates in New Zealand, but has transactions denominated in foreign currencies. However, the current level of foreign transactions is not significant enough to affect the Company's performance. Upon the Company's activities reaching a commercial stage the Company will be exposed to foreign exchange risk with hardware equipment mainly being priced in US dollars.

(ii) **Price risk:** Upon the Company's activities reaching a commercial stage the Company will be exposed to price risk with the price of hardware equipment fluctuating with worldwide demand.

#### (iii) Cash flow and interest rate risk

At balance date the Company has non-interest bearing cheque and on call deposit accounts. The Company has exposure to the interest rate risk to the extent that funds on call earn interest calculated on a daily basis, however, the level of interest income is not significant enough to affect the Company's income and operating cash flows.

The Company in 2014 had an interest bearing loan facility with Mr Fitts, a director of the Company. The facility interest rate was fixed at 10% per annum. Mr Fitts has confirmed that no interest was payable under this facility in 2015.

The Company's subsidiary Air Volution Ltd in 2014 had interest bearing loan facilities with Mr Fitts, a director of the Company and Air Volution Ltd, and Mr De Neeffe, a director of Air Volution Ltd. The interest rate for both facilities was fixed at 14.5% per annum. Mr Fitts and Mr De Neeffe have confirmed that no interest was payable under these facilities in 2015 and prior years.

#### (iv) Summarised sensitivity analysis

The Company finance loan, \$213,333, is based in Australian dollars, and therefore exposed to exchange rate movements. The sensitivity of the rate 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 Australian dollar by 5% the Company's liability would increase by \$10,667. If the New Zealand dollar were to appreciate against the Australian dollar by 5% the Company's liability would decrease by \$10,667.

The Company advances from third parties included in unsecured advances, \$78,723, is partially based in Canadian dollars, and therefore exposed to exchange rate movements. The sensitivity of the rate 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 \$855. If the New Zealand dollar were to appreciate against the Canadian dollar by 5% the Company's liability would decrease by \$855.



# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 4 Financial risk management (continued)

The Group advance to MDI SA, \$814,392 (written down to nil carrying value in financial statements), is based in euros, and therefore exposed to exchange rate movements. The sensitivity of the rate 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 \$40,720. If the New Zealand dollar were to appreciate against the euro by 5% the Company's asset would decrease by \$40,720.

The deposit received by the Company and Group for the design production and logistics for the supply of an innovative generator system, \$53,333, is based in Australian dollars, and therefore exposed to exchange rate movements. The sensitivity of the rate 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 Australian dollar by 5% the Company's asset would increase in value by \$2,667. If the New Zealand dollar were to appreciate against the Australian dollar by 5% the Company's asset would decrease by \$2,667.

The Company's and Group's cash at bank and bank deposits on call are exposed to interest rate movements. The sensitivity of the rate is considered to be an increase or decrease of 1% based on market movements in the year. Due to the level of cash at bank and bank deposits held at balance date if the interest rate was to increase or decrease by one percentage point then the financial effect would be a corresponding increase or decrease in profit and equity of Parent and Group by less than \$100.

The Company's and 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 Parent and Group by \$600.

#### (j) Credit risk

In the normal course of its business, the Company incurs credit risk from receivables and transactions with financial institutions. These principally consist of bank balances, term deposits, and non-trade receivables. The Company monitors the credit quality of its investments and manages its exposure to credit risk.

There is a concentration of credit risk in respect of funds held at banks. The Company believes that no credit loss will arise from any financial transaction due to the high credit rating of the financial institutions involved.

The Company and Group has a significant receivable from MDI SA. 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.

#### (k) Liquidity risk

Prudent liquidity risk management ensures that during the Company's development stage liabilities and commitments are not entered into unless the Company has adequate funds in place to satisfy these.

#### (l) Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is 100% funded with money invested by Shareholders and Directors, and during 2014 and 2013 was not subject to any externally imposed capital requirements.

### 5 Revenue

	Group 2015	Group 2014	Parent 2015	Parent 2014
	\$	\$	\$	\$
Consulting and management fees charged to Subsidiaries	-	-	106,667	104,620
	-	-	106,667	104,620

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

6 Expenses	Group 2015 \$	Group 2014 \$	Parent 2015 \$	Parent 2014 \$
Included in the Expenses are the following:				
Amortisation of trademarks	-	-	-	-
Depreciation	50	84	50	84
Directors fees	-	-	-	-
Loss (profit) on sale / write off of plant and equipment	-	-	-	-
Operating lease rentals	13,234	24,463	13,234	14,210
Unrealised foreign exchange loss (gain) on Advance to MDI SA	(22,636)	57,072	(22,636)	57,072
Provision against MDI advance	22,636	(57,072)	22,636	(57,072)
Realised foreign exchange (gain) loss on Trade and other payables	-	(210)	-	(210)
Unrealised foreign exchange (gain) loss on Trade and other payables	5,996	(13,697)	5,996	(13,697)
Unrealised foreign exchange (gain) loss on Unsecured Advances	(2,475)	(626)	(2,475)	(626)
Realised foreign exchange (gain) loss on Directors loans	(4,415)	-	-	-
Unrealised foreign exchange (gain) loss on Directors loans	-	2,143	-	-
Unrealised foreign exchange (gain) loss on Financing Loan	4,084	(9,330)	4,084	(9,330)
Writedown of receivable from subsidiary Air Volution Ltd	-	-	63,292	-
Writedown / (recovery) of receivable in associate IT Mainland Ltd	(33,842)	(2,325)	(33,842)	(2,325)
Provision against investment in subsidiary Air Volution Limited – see note 17	-	-	-	104,750
Realised loss on investment in associate IT Mainland Ltd	2,913,500	-	2,913,500	-
Writeback of provision against investment in associate IT Mainland Ltd	(2,913,500)	-	(2,913,500)	-

### 7 Remuneration of auditors

	Group 2015 \$	Group 2014 \$	Parent 2015 \$	Parent 2014 \$
Audit fees	7,200	6,950	7,200	6,950
Other fees	-	-	-	-
	<u>7,200</u>	<u>6,950</u>	<u>7,200</u>	<u>6,950</u>

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

8 Income tax	Group 2015 \$	Group 2014 \$	Parent 2015 \$	Parent 2014 \$
Profit (loss) before income tax	(832,933)	(183,454)	(921,718)	(103,289)
Income tax at 28 cents (2014: 28 cents)	(233,221)	(51,367)	(258,081)	(28,921)
Temporary differences	(820,338)	(15,254)	(820,338)	(15,254)
Permanent differences	975,403	35,414	1,048,683	16,513
Income tax losses not recognised	80,305	34,433	29,736	27,662
Adjustment for tax on foreign loss due to different rate	(2,149)	(3,226)	-	-
Income tax credit	-	-	-	-

All of the income tax expense is current tax.

### Income tax refund:

Balance at beginning of period	-	-	-	-
Resident Withholding Tax on income	-	-	-	-
Income tax refund received	-	-	-	-
Income tax refund due	-	-	-	-

As at 31 December 2015 income tax losses carried forward and available to be set off against future assessable income, which have not been recognised in the statement of financial position, total Group \$17,048,548 (2014: \$16,773,785) and Parent \$14,040,710 (2014: \$13,934,509). The availability of income tax losses carried forward is subject to the requirements of the Income Tax Act and shareholder continuity requirements being met in the future and the Company deriving sufficient future income taxable surpluses. In addition, research and development costs totalling \$1,638,954 (2014: \$1,638,954) incurred prior to 2001 have been expensed in the relevant accounting periods but not claimed for income tax purposes in accordance with relevant tax legislation at the time. There is no deferred tax asset recognised for current unused tax losses, as at present the recognition criteria under NZ IAS 12 has not been met.

### Imputation credits:

	Group 2015 \$	Group 2014 \$	Parent 2015 \$	Parent 2014 \$
Balance at beginning of period	3,235	3,235	-	-
Income tax paid	-	-	-	-
Resident Withholding Tax on income	-	-	-	-
Income tax refund received	-	-	-	-
Balance at end of period	3,235	3,235	-	-

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 9 Contributed equity

	Group 2015	Group 2014	Parent 2015	Parent 2014
	\$	\$	\$	\$
Balance at beginning of period – 207,189,918 ordinary shares fully paid	19,393,064	19,393,064	19,393,064	19,393,064
Shares issued during the period – 16,279,435 ordinary shares fully paid (2014: nil)	1,121,160	-	1,121,160	-
Balance at end of period – 223,469,353 ordinary shares fully paid	20,514,224	19,393,064	20,514,224	19,393,064

#### 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

On 31 October 2015 a total of 11,073,721 ordinary shares fully paid were issued for cash at \$0.07 per share for the purchase of the assets of IT Mainland Limited, an associate of the Company at that time.

On 31 December 2015 a total of 920,000 ordinary shares fully paid were issued for cash at \$0.05 per share in repayment of \$46,000 advance due to a third party.

On 31 December 2015 a total of 3,428,571 ordinary shares fully paid were issued for cash at \$0.07 per share in repayment of a \$240,000 advance due to Mr Russell Fitts, a director of the Company.

On 31 December 2015 a total of 857,143 ordinary shares fully paid were issued for cash at \$0.07 per share in repayment of a \$60,000 advance due to Mr G Michael Kain, a director of the Company.

#### Share Options

On 31 December 2015 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 \$0.07. The options may be exercised at anytime up until 23 December 2020. Any options not exercised by 23 December 2020 will lapse.

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. Any options not exercised by 31 December 2029 will lapse.

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 2029. Any options not exercised by 31 December 2029 will lapse.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 9 Contributed equity (continued)

The Directors consider that it is unlikely that any of the share options issued on the 31 December 2015 and 31 December 2014 will be exercised in the foreseeable future and therefore have a fair value of nil. The Directors have taken into account the share options exercise price, there being no market to trade the Company's shares, the Company not yet trading profitably and the length of time that will be needed for the Company to change these circumstances.

10 Accumulated losses	Group	Group	Parent	Parent
	2015	2014	2015	2014
	\$	\$	\$	\$
Balance at beginning of the period	(22,253,851)	(22,103,371)	(22,048,577)	(21,945,288)
Comprehensive income (loss) for the period	(808,927)	(150,480)	(921,718)	(103,289)
Balance at end of the period	<u>(23,062,778)</u>	<u>(22,253,851)</u>	<u>(22,970,295)</u>	<u>(22,048,577)</u>

11 Minority interest	Group	Group	Parent	Parent
	2015	2014	2015	2014
	\$	\$	\$	\$
Minority interest at beginning of the period	-	-	-	-
Irrecoverable	-	-	-	-
Share of comprehensive income (loss) for the period	(24,006)	(32,974)	-	-
Minority interest contribution	156,928	-	-	-
Parent gain on minority interest contribution	(125,048)	-	-	-
Transfer to minority interest on sale of shares	-	9,345	-	-
Write off minority interest not recoverable	(7,874)	23,629	-	-
Balance at end of the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Third parties have a beneficial interest of 22.9% in the Air Future Limited subsidiary, Air Volution Limited, at 31 December 2015 (2014: 20.1%).

As at 31 December 2015 the total number of fully paid shares on issue in Air Volution Limited was 168,520,397 (2014: 162,200,503).

On 27 October 2015 Air Volution Ltd issued 1,842,105 ordinary shares at \$0.0203 per share in repayment of a \$37,333 advance due to Mr Francis De Neefe, a director of Air Volution Ltd.

On 27 October 2015 Air Volution Ltd issued 3,593,661 ordinary shares at \$0.0203 per share in repayment of a \$72,832 advance due to Mr Russell Fitts, a director of the Company and Air Volution Ltd.

On 27 October 2015 Air Volution Ltd issued 28,572 ordinary shares at \$0.0747 per share for cash to Mr Russell Fitts, a director of the Company and Air Volution Ltd.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 11 Minority interest (continued)

On the 15 December 2015 Air Volution Ltd issued 855,556 shares at between \$0.0501 and \$0.0533 per share to third parties.

On the 31 December 2014 Air Volution Ltd issued 727,071 shares at \$0.1569 per share to Air Future Ltd in repayment of an intercompany receivable of \$114,095.

12 Cash and cash equivalents	Group	Group	Parent	Parent
	2015	2014	2015	2014
	\$	\$	\$	\$
Cash at bank	17,570	1,114	17,077	-
Total cash and cash equivalents	17,570	1,114	17,077	-

#### (i) Cash at bank

The interest rate on Group and Company cash at bank was 0.0% during the period (2014: 0.0%).

#### (ii) Reconciliation to cash at the end of the year

	Group	Group	Parent	Parent
	2015	2014	2015	2014
	\$	\$	\$	\$
Balances as above	17,570	1,114	17,077	-
Bank overdraft (see note 19)	-	(7,566)	-	(7,566)
Balances as per Statements of Cash Flow	17,570	(6,452)	17,077	(7,566)

13 Trade and other receivables	Group	Group	Parent	Parent
	2015	2014	2015	2014
	\$	\$	\$	\$
Trade receivables	-	-	-	-
Subsidiary company receivable	-	-	63,292	-
Provision against subsidiary company receivable	-	-	(63,292)	-
Associate company receivable	-	33,842	-	33,842
Provision against associate company receivable	-	(33,842)	-	(33,842)
Sundry debtors and prepayments	2,824	511	2,824	511
Goods & Services Tax refund due	1,199	1,154	447	546
Total trade and other receivables	4,023	1,665	3,271	1,057

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 13 Trade and other receivables (continued)

The subsidiary company receivable is the amount owed by Air Volution Limited to the Company at balance date, for advances and consultancy fees for business development and administration during the period.

Due to the inherent uncertainty of recoverability of the receivable from Air Volution Limited, \$63,292 (2014: \$0), due to not yet having commenced commercial operations, the directors have approved the write down of the receivable due from Air Volution Limited to nil, rather than including the receivable as an asset on the statement of financial position.

Due to the inherent uncertainty of recoverability of the receivable from IT Mainland Limited, \$0 (2014: \$33,842), due to not yet having commenced commercial operations, the directors in 2012, 2013 and 2014 approved the write down of the receivable due from IT Mainland Limited to nil, rather than including the receivable as an asset on the statement of financial position. During the 2015 year the receivable from IT Mainland Limited was repaid as part of the purchase of IT Mainland Limited's assets by the Company and as such there is no receivable from IT Mainland Limited as at 31 December 2015.

#### Interest rate risk

All trade and other receivables are non-interest bearing. In the case of late repayment of refunds due from the New Zealand Inland Revenue and the Australian Tax Office interest maybe payable at the standard Inland Revenue and Australian tax Office rates set from time to time.

#### Credit risk

The Company and Group have not yet started trading on a commercial basis and as such have no concentrations of credit risk.

### 14 Property, Plant & Equipment – Group and Parent

	Plant & equipment	Office equipment	Total
	2015	2015	2015
	\$	\$	\$
Cost at the beginning of the year	394,424	8,245	402,669
Accumulated depreciation	(358,597)	(6,181)	(364,778)
Write down to realisable value	(35,654)	(2,064)	(37,718)
Net book value at the beginning of the year	173	-	173
Additions during the year	-	-	-
Disposals during the year	-	-	-
Depreciation during the year	(50)	-	(50)
Write down to realisable value	-	-	-
Cost at the end of the year	394,424	8,245	402,669
Accumulated depreciation	(358,647)	(6,181)	(364,828)
Write down to realisable value	(35,654)	(2,064)	(37,718)
Net book value at the end of the year	123	-	123

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 14 Property, Plant & Equipment – Group and Parent (continued)

	Plant & equipment	Office equipment	Total
	2014	2014	2014
	\$	\$	\$
Cost at the beginning of the year	394,424	8,245	402,669
Accumulated depreciation	(358,513)	(6,181)	(364,694)
Write down to realisable value	(35,654)	(2,064)	(37,718)
Net book value at the beginning of the year	257	-	257
Additions during the year	-	-	-
Disposals during the year	-	-	-
Depreciation during the year	(84)	-	(84)
Write down to realisable value	-	-	-
Cost at the end of the year	394,424	8,245	402,669
Accumulated depreciation	(358,597)	(6,181)	(364,778)
Write down to realisable value	(35,654)	(2,064)	(37,718)
Net book value at the end of the year	173	-	173

There is no Property, plant and equipment held on finance lease (2014: Nil).

### 15 Intangible assets

Trademarks	Group 2015	Group 2014	Parent 2015	Parent 2014
	\$	\$	\$	\$
Cost at the beginning of the period	27,916	27,916	27,916	27,916
Accumulated amortisation	(16,138)	(16,138)	(16,138)	(16,138)
Write down to realisable value	(11,778)	(11,778)	(11,778)	(11,778)
Net book value at the beginning of the period	-	-	-	-
Additions during the period	-	-	-	-
Amortisation during the period	-	-	-	-
Write down to realisable value	-	-	-	-
Cost at the end of the period	27,916	27,916	27,916	27,916
Accumulated amortisation	(16,138)	(16,138)	(16,138)	(16,138)
Write down to realisable value	(11,778)	(11,778)	(11,778)	(11,778)
Net book value at the end of the period	-	-	-	-

Trademarks are amortised on a straight-line basis over 10-20 years.



# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 15 Intangible assets (continued)

#### MDI Enterprises SA Option

The Company has entered into a contract with MDI Enterprises SA (a company registered in Luxembourg) that grants an option to the Company to purchase three turn-key factory units for the purpose of manufacturing mono-energy air driven vehicles exclusively in Australia and New Zealand. On 16 October 2008 the Company transferred the rights under this contract to its subsidiary Air Volution Ltd for the original purchase price of \$462,672 with consideration being the issue to Air Future Ltd of 50,000,000 shares in Air Volution Ltd.

Because of the inherent uncertainty of recoverability, due to the MDI technology not yet having been deployed commercially, the directors of Air Volution Ltd in the year ended 31 December 2008 approved the expensing of the cost of the option, rather than including the option 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 not be included as an asset on the statement of financial position.

#### Acquisition and write off of associate company IT Mainland Limited's assets

On 31 October 2015 the Company entered into an agreement with IT Mainland Ltd for the Company to purchase all of the assets, rights, interest and intellectual property held by IT Mainland Ltd for \$831,745. This consideration was met by IT Mainland Ltd repurchasing all of the Company's shares in IT Mainland Ltd for nil value, the Company issuing 11,073,721 ordinary shares fully paid at \$0.07 per share to IT Mainland Ltd and the payment by the Company to IT Mainland Ltd of \$56,585 to enable the repayment of the amount IT Mainland Ltd owed the Company on 31 October 2015. The IT Mainland Ltd assets, rights, interest and intellectual property purchased have been written off and not included as an asset on the statement of financial position due to the inherent uncertainty of recoverability, due to both the Company's and MDI's technologies not having yet reached a commercially viable stage.

### 16 Investments accounted for using the equity method – Group and Parent

	Group 2015 \$	Group 2014 \$	Parent 2015 \$	Parent 2014 \$
Investment in Associate - IT Mainland Ltd	-	2,913,500	-	2,913,500
Provision against investment in Associate – IT Mainland Ltd	-	(2,913,500)	-	(2,913,500)
Total investments accounted for using the equity method	-	-	-	-

#### Associates at 31 December 2015:

Name	Percentage Held		Principal Activities	Balance Date
	2015	2014		
IT Mainland Ltd	0%	44%	Commercialisation of technology	31 December

The Company had a significant shareholding and board of directors' representation in IT Mainland Ltd. However the Company did not have control of IT Mainland Ltd on the basis that the shareholding is less than 50%, current board representation is two directors out of five, and as the majority class B shareholder constitutionally is limited to appointing 50% of the board of directors.

No further investment in IT Mainland Ltd was made during the period.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 16 Investments accounted for using the equity method – Group and Parent (continued)

Due to the inherent uncertainty of the recoverability of the investment in IT Mainland Ltd, due to not yet having commenced commercial operations, the directors in 2005 and subsequent years to 2014 approved the write down of the investment in IT Mainland Limited to nil, rather than including the investment as an asset on the statement of financial position. During the 2015 year the Company's shareholding in IT Mainland Limited was repurchased by IT Mainland Limited for nil value as part of the purchase of IT Mainland Limited's assets by the Company and as such there is no investment in IT Mainland Limited as at 31 December 2015.

As the carrying value of the investment in IT Mainland Ltd is nil, the Company's share of the IT Mainland Ltd's post-acquisition accumulated net deficit has not been recognised in the Group statement of comprehensive income and statement of changes in equity.

The Group's and Parent's share of the IT Mainland Ltd's results and aggregated assets and liabilities are as follows:

	Assets	Liabilities	Revenues	Profit/(Loss)
	\$	\$	\$	\$
Year ended 31 December 2014 Audited	379	38,029	-	(2,685)

IT Mainland Ltd has no contingent assets and liabilities, and no future capital commitments.

The Company is not jointly or severally liable for the liabilities of IT Mainland Ltd.

On 31 March 2009 the Company's associate, IT Mainland Ltd, granted the Company's subsidiary, Air Volution Ltd, an option to purchase 40 million shares in IT Mainland Ltd, and the Company's subsidiary, IT Australasia Pty Ltd, 24 million shares in IT Mainland. The options were granted in consideration for the subsidiary companies entering into a Co-Development Agreement with IT Mainland that grants to IT Mainland Ltd the exclusive right to licence the Air Future and MDI Information, Communication, Energy, and Transport (ICET) technology package within New Zealand, subject to licence terms being negotiated by all parties. The options have an exercise price of 60 cents per share and will expire if not exercised before 5 February 2016. IT Australasia Pty Ltd has been de-registered and as such no longer exists.

On 21 October 2014 IT Mainland Ltd, Air Volution Ltd and the Company entered into a Termination Agreement that terminated the Co-Development Agreement and the Option Agreement. The Termination Agreement requires the Company to negotiate in good faith with IT Mainland Ltd to compensate IT Mainland Ltd for entering into the Termination Agreement. On 31 October 2015 the Company entered into an agreement with IT Mainland Ltd for the Company to purchase all of the assets, rights, interest and intellectual property held by IT Mainland Ltd for \$831,745. This consideration was met by IT Mainland Ltd repurchasing all of the Company's shares in IT Mainland Ltd for nil value, the Company issuing 11,073,721 ordinary shares fully paid at \$0.07 per share to IT Mainland Ltd and the payment by the Company to IT Mainland Ltd of \$56,585 to enable the repayment of the amount IT Mainland Ltd owed the Company on 31 October 2015.

The IT Mainland Ltd assets, rights, interest and intellectual property purchased have been written off and not included as an asset on the statement of financial position due to the inherent uncertainty of recoverability, due to both the Company's and MDI's technologies not having yet reached a commercially viable stage.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 17 Investments in subsidiaries

	Group 2015 \$	Group 2014 \$	Parent 2015 \$	Parent 2014 \$
Investment in subsidiaries	-	-	526,292	526,292
Provision against investment in subsidiaries	-	-	(526,292)	(526,292)
Total investment in subsidiaries	-	-	-	-

### Subsidiaries owned at 31 December 2015:

Name	Percentage Held		Principal Activities	Balance Date
	2015	2014		
IT Mondial Pty Ltd	100%	100%	Holding company	31 December
IT MDI Pty Ltd	100%	100%	Holding company	31 December
Air Volution Ltd (formerly IT MDI Energy Ltd)	77.1%	79.9%	Commercialisation of technology	31 December
S.A.M. Technologies Ltd	100%	100%	No trading or activity	31 December

On 16 October 2008 the Company transferred the rights under the 1999 Zone Reservation Agreement with MDI Enterprises SA to its subsidiary Air Volution Ltd for the original purchase price of \$462,672 with consideration being the issue to Air Future Ltd of 50,000,000 shares in Air Volution Ltd. The 1999 Zone Reservation Agreement is a contract with MDI Enterprises SA (a company registered in Luxemburg) that grants an option to the Company to purchase three turn-key factory units for the purpose of manufacturing mono-energy air driven vehicles exclusively in Australia and New Zealand.

Due to the inherent uncertainty of the recoverability of the investment in Air Volution Ltd, due to not yet having commenced commercial operations, the directors have approved the write down of the investment in Air Volution Ltd to nil, rather than including the investment as an asset on the statement of financial position. The Directors have reassessed this at balance date and although a small number of shares in Air Volution Ltd were sold during the year, still maintain the view that due to the continued inherent uncertainty of recoverability the investment in Air Volution Ltd should not be included as an asset on the statement of financial position.

During the year ended 31 December 2015 to support the Company's subsidiary Air Volution Ltd the Company transferred 444,445 shares in Air Volution Ltd to a third party for nil value as part of an arrangement for the third party investing in Air Volution Ltd. These shares had an initial cost of \$5,177 and been written down to a nil realisation value at 31 December 2008.

On the 31 December 2014 Air Volution Ltd issued 727,071 shares at \$0.1569 per share to Air Future Ltd in repayment of an intercompany receivable of \$114,095.

During the year ended 31 December 2014 the Company sold (net of 5,000 shares repurchased) 218,500 shares in Air Volution Ltd to third parties for \$39,700 at an average price of New Zealand \$0.182 per share. These shares had an initial cost of \$2,026 and been written down to a nil realisation value at 31 December 2008.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 17 Investments in subsidiaries (continued)

During the year ended 31 December 2014 the Company transferred 789,301 shares in Air Volution Ltd to a third party in settlement of a debt of \$18,706 at an average price of New Zealand \$0.024 per share. These shares had an initial cost of \$7,319 and been written down to a nil realisation value at 31 December 2008.

The Company has not sold any shares in Air Volution Ltd during the year ended 31 December 2015.

### 18 Advance to MDI SA

	Group 2015 \$	Group 2014 \$	Parent 2015 \$	Parent 2014 \$
Advance to MDI SA	814,392	791,756	814,392	791,756
Provision against advance to MDI SA	(814,392)	(791,756)	(814,392)	(791,756)
Advance to MDI SA	-	-	-	-

Air Volution Ltd, a subsidiary of the Company, had advanced the amount of euro 509,891 (2014: euro 509,891) to MDI SA. On the 31 December 2013 the advance to MDI SA was acquired by the Company from Air Volution Ltd. The terms of the advance are that, at the Company's discretion, the advance shall be used for payment against licence fees or repaid on demand to the Company. There is no interest payable on the advance by MDI SA.

Due to the inherent uncertainty of recoverability of the advance to MDI SA, due to MDI SA not yet having commenced independent commercial operations, the Directors of the Company in 2013 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 of the advance to MDI SA, due to MDI SA not yet having commenced independent commercial operations the advance should remain written down to nil, rather than including the advance as an asset on the statement of financial position.

### 19 Bank overdraft

	Group 2015 \$	Group 2014 \$	Parent 2015 \$	Parent 2014 \$
Bank overdraft - unsecured	-	7,566	-	7,566
Total bank overdraft	-	7,566	-	7,566

During the year ended 31 December 2012 the Company entered into a \$20,000 unsecured overdraft facility with Westpac New Zealand Ltd. The directors of the Company, Messrs Russell Fitts, Michael Kain, Dan Hilgendorf 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 and Company overdraft averaged 13.66% during the period and ranged from 13.20% to 13.95%, (2014: averaged 13.52% during the period and ranged from 12.95% to 13.95%).

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

20 Trade and other payables	Group 2015 \$	Group 2014 \$	Parent 2015 \$	Parent 2014 \$
Trade payables	976,383	1,021,160	954,790	992,395
Accruals	141,526	151,052	69,956	80,789
Deposit received for the design production and logistics for the supply of an innovative generator system	53,333	52,312	53,333	52,312
Operating lease commitment	-	-	-	-
<b>Total trade and other payables</b>	<b>1,171,242</b>	<b>1,224,524</b>	<b>1,078,079</b>	<b>1,125,496</b>

During the 2009 year IT Mondial Pty Ltd, a subsidiary company, received a deposit from a third party on the design production and logistics for the supply of an innovative air engine generator system of AU\$50,000. IT Mondial Pty Ltd paid this deposit to the Company during the 2009 year. As at 31 December 2015 the Parent trade and other payables includes \$53,333 (2014: \$52,312) due to IT Mondial Pty Ltd being the deposit received. The Group trade and other payables includes \$53,333 (2014: \$52,312) due by IT Mondial Pty Ltd to a third party being the deposit received.

21 Unsecured Advances	Group 2015 \$	Group 2014 \$	Parent 2015 \$	Parent 2014 \$
Advances by third parties	78,723	101,627	78,723	101,627
	<u>78,723</u>	<u>101,627</u>	<u>78,723</u>	<u>101,627</u>

On the 31 December 2015 advances of \$46,000 from a third party were repaid by the issue of 920,000 shares in the Company at \$0.05 per share.

On the 23 December 2014 advances of \$18,706 from a third party were repaid by the transfer of 789,301 shares in the Company's subsidiary Air Volution Ltd at \$0.0237 per share.

Between the 27 November 2009 and 1 December 2009 the Company received advances from third parties of Canadian \$10,000 and NZ \$10,000. The advances were due for repayment between 27 May and 1 June 2010. The balance of the advances including interest now total \$34,987 (2014: \$34,127) and are repayable on demand. Interest is payable on the advances at an annual compounding rate of 10%.

As at 31 December 2015 other advances had been received from third parties of \$43,735 (2014: \$67,500). The advances are repayable on demand and there is no interest payable.

As at 31 December 2015 loans totalling \$22,235 to the Company by the independent directors of IT Mainland Ltd, an associate of the Company, have been reclassified as Unsecured Advances in the Statement of Financial Position due to IT Mainland Ltd having ceased all activities and being in the process of being removed from the Companies Register as at 31 December 2015.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

22 Loans from Directors	Group	Group	Parent	Parent
	2015	2014	2015	2014
	\$	\$	\$	\$
Balance at the beginning of the period	1,320,773	1,161,414	1,212,805	1,079,721
Loan advances during the period	251,833	159,359	230,463	133,084
Repayment of loans during the period	(424,791)	-	(314,626)	-
Reversal of accrued interest	(16,301)	-	-	-
Foreign exchange movement	(2,307)	-	-	-
Reclassification of loans from directors to Unsecured Advances	(22,235)	-	(22,235)	-
Balance at end of the period	<u>1,106,972</u>	<u>1,320,773</u>	<u>1,106,407</u>	<u>1,212,805</u>

The Group and Company Directors loans include a loan facility, with a balance at 31 December 2015 of \$0 (2014: \$181,517), with a right to charge interest at 10% per annum. Interest of \$0 has been charged in the period (2014: \$14,419).

The Group Directors loans include a loan facility, with a balance at 31 December 2015 of \$0 (2014: \$64,883), with a right to charge interest at 14.5% per annum. Interest of \$0 has been charged in the period (2014: \$8,375).

The Group Directors loans include a loan facility, with a balance at 31 December 2015 of \$0 (2014: \$42,528), with a right to charge interest at 14.5% per annum. Interest of \$0 has been charged in the period (2014: \$5,387).

On the 31 December 2015 advances of \$240,000 from Mr Fitts, a director of the Company, were repaid by the issue of 3,428,571 shares in the Company at \$0.07 per share.

On the 31 December 2015 advances of \$60,000 from Mr Kain, a director of the Company, were repaid by the issue of 857,143 shares in the Company at \$0.07 per share.

On the 27 October 2015 advances of \$72,832 from Mr Fitts, a director of the Company and Air Volution Ltd, to Air Volution Ltd were repaid by the issue of 3,593,661 shares in Air Volution Ltd at \$0.0203 per share.

On the 27 October 2015 advances of \$37,333 from Mr DeNeefe, a director of Air Volution Ltd, to Air Volution Ltd were repaid by the issue of 1,842,105 shares in Air Volution Ltd at \$0.0203 per share.

As at 31 December 2015 loans totalling \$22,235 to the Company by the independent directors of IT Mainland Ltd, an associate of the Company, have been reclassified as Unsecured Advances in the Statement of Financial Position due to IT Mainland Ltd having ceased all activities and being in the process of being removed from the Companies Register as at 31 December 2015.

23 Financing Loan	Group	Group	Parent	Parent
	2015	2014	2015	2014
	\$	\$	\$	\$
Financing loan	<u>213,333</u>	<u>209,249</u>	<u>213,333</u>	<u>209,249</u>

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 23 Financing Loan (continued)

A line of funding was entered into in December 2002 with another entity which included the receipt of AU\$200,000 originally, with the remaining AU\$300,000 to be advanced at a later date. This second instalment was not honoured, therefore the terms of the agreement were deemed breached. This amount has been included as a liability, however the repayment date and any interest liabilities are uncertain as a result of the lenders failure to comply with the original agreement (see Note 28).

### 24 Financial instruments by category

Assets as per statement of financial position	Loans and receivables	Available for sale	Total
Group	\$	\$	\$
As at 31 December 2015			
Trade and other receivables	4,023	-	4,023
Income tax refund due	-	-	-
Cash and cash equivalents	17,570	-	17,570
	<u>21,593</u>	<u>-</u>	<u>21,593</u>
As at 31 December 2014			
Trade and other receivables	1,665	-	1,665
Income tax refund due	-	-	-
Cash and cash equivalents	1,114	-	1,114
	<u>2,779</u>	<u>-</u>	<u>2,779</u>
Parent			
As at 31 December 2015			
Trade and other receivables	3,271	-	3,271
Income tax refund due	-	-	-
Cash and cash equivalents	17,077	-	17,077
	<u>20,348</u>	<u>-</u>	<u>20,348</u>
Parent			
As at 31 December 2014			
Trade and other receivables	1,057	-	1,057
Income tax refund due	-	-	-
Cash and cash equivalents	-	-	-
	<u>1,057</u>	<u>-</u>	<u>1,057</u>

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 25 Net cash outflow from operating activities

	Group 2015 \$	Group 2014 \$	Parent 2015 \$	Parent 2014 \$
Reconciliation of comprehensive income (loss) with net cash flow from operating activities:				
Comprehensive income (loss) for the year	(832,933)	(183,454)	(921,718)	(103,289)
Depreciation	50	84	50	84
Loss on write off of assets purchased from associate IT Mainland Limited	831,745	-	831,745	-
Provision against advance to MDI SA	(22,636)	(57,072)	(22,636)	(57,072)
Unrealised foreign exchange loss (gain) on advance to MDI SA	22,636	57,072	22,636	57,072
Unrealised foreign exchange (gain) loss on financing loan	4,084	(9,330)	4,084	(9,330)
Unrealised foreign exchange (gain) loss on unsecured advances	(2,475)	-	(2,475)	-
Writedown (back) of receivable in associate IT Mainland Ltd	(33,842)	(2,325)	(33,842)	(2,325)
Write off (back) of provision on investment in subsidiary Air Volution Ltd	-	-	-	104,750
Gain on sale of investment in subsidiary	-	(49,061)	-	(49,061)
Parent shareholders gain on minority interest contributions	(125,048)	-	-	-
Write off minority interest not recoverable	(7,874)	23,629	-	-
Realised loss on investment in associate IT Mainland Ltd	2,913,500	-	2,913,500	-
Writeback of provision against investment in associate IT Mainland Ltd	(2,913,500)	-	(2,913,500)	-
Expenses incurred in preparation for share issue	6,490	5,231	-	-
Movements in working capital:				
(Increase) decrease in trade and other receivables	(2,358)	2,786	(2,214)	1,372
(Increase) decrease in taxation refund due	-	-	-	-
Increase (decrease) in trade and other payables	(53,282)	(1,680)	(47,417)	(9,531)
Net cash (outflow) from operating activities	(215,443)	(214,120)	(171,787)	(67,330)



# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 26 Operating Lease Commitments – Group and Parent

	Group 2015 \$	Group 2014 \$	Parent 2015 \$	Parent 2014 \$
Not later than one year	-	-	-	-
Later than one year, not later than two years	-	-	-	-
Later than two years, not later than five years	-	-	-	-

The 2015 financial statements have been prepared on a realised basis with operating lease commitments included in Trade and other payables, see Note 20.

### 27 Capital commitments

There were no capital commitments at 31 December 2015 (2014: \$0).

### 28 Contingencies

There is a contingent liability in respect of the interest on the Financing Loan (Note 23).

The interest rate is 10% per month. As the terms of the agreement were deemed to be breached no interest has been accrued, (2014: \$0).

In April 2014 the Financial Markets Authority advised the Company that it was in breach of the Securities Act 1978 by including an offer for shares in Air Volution Ltd within a shareholder newsletter. In May 2014 the Directors of the Company have given undertakings to the Financial Markets Authority that no further shares in Air Volution Ltd will be offered by the Company, no subscriptions for shares in Air Volution Ltd will be accepted by the Company pursuant to the offer and that notice shall be given to every person who has acquired shares in Air Volution Ltd from the Company that each such person has the option to require the Company to repurchase those shares at the price that person paid for them. Since 2008 when the Company acquired shares in Air Volution Ltd the Company has received \$842,809 in relation to the sale of shares in Air Volution Ltd.

Of the persons who had acquired shares in Air Volution Ltd from the Company, who have been able to be contacted, only one shareholder opted for the shares they purchased, for \$1,000, to be repurchased by the Company.

Of the persons who had acquired shares in Air Volution Ltd from the Company, who have not yet been able to be contacted or are undecided on their decision, the Company has received \$143,463 (2014: \$163,463) in relation to the sale of shares in Air Volution Ltd to these persons. The Company continues efforts to contact these persons.

On 31 March 2009 the Company's associate, IT Mainland Ltd, granted the Company's subsidiary, Air Volution Ltd, an option to purchase 40 million shares in IT Mainland Ltd, and the Company's subsidiary, IT Australasia Pty Ltd, 24 million shares in IT Mainland Ltd. The options were granted in consideration for the subsidiary companies entering into a Co-Development Agreement with IT Mainland that grants to IT Mainland Ltd the exclusive right to licence the Air Future and MDI Information, Communication, Energy, and Transport (ICET) technology package within New Zealand, subject to licence terms being negotiated by all parties. The options have an exercise price of 60 cents per share and will expire if not exercised before 5 February 2016. IT Australasia Pty Ltd has been de-registered and as such no longer exists.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 28 Contingencies (continued)

On 21 October 2014 IT Mainland Ltd, Air Volution Ltd and the Company entered into a Termination Agreement that terminated the Co-Development Agreement and the Option Agreement. The Termination Agreement requires the Company to negotiate in good faith with IT Mainland Ltd to compensate IT Mainland Ltd for entering into the Termination Agreement. As at 31 December 2014 the Company had not entered into negotiations with IT Mainland Ltd to agree the compensation terms so therefore the Directors of the Company were at that time unable to quantify any potential liability to IT Mainland Ltd.

The Company finalised matters with IT Mainland Ltd by entering into an agreement on the 31 October 2015 with IT Mainland Ltd for the Company to purchase all of the assets, rights, interest and intellectual property held by IT Mainland Ltd for \$831,745. This consideration was met by IT Mainland Ltd repurchasing all of the Company's shares in IT Mainland Ltd for nil value, the Company issuing 11,073,721 ordinary shares fully paid at \$0.07 per share to IT Mainland Ltd and the payment by the Company to IT Mainland Ltd of \$56,585 to enable the repayment of the amount IT Mainland Ltd owed the Company on 31 October 2015.

In November 2014 Mr S Turner resigned as a director of the Company's subsidiary Air Volution Ltd. In February 2015 Mr Turner made a claim for payment for services that he had carried out. The Directors of Air Volution Ltd believe that Mr Turner has no valid claim as there was no contract or agreement in place, and will contest the matter if pursued by Mr Turner. This is consistent with no directors of Air Volution Ltd receiving any remuneration for their services given the stage of development and resources of Air Volution Ltd. The Company has had no further contact with Mr Turner regarding the claim.

### 29 Segmental reporting

The principal activity of the Company is technology research and development carried out within New Zealand. The Company does not have different business or geographical segments.

### 30 Related parties

All transactions between the associate and subsidiaries of the Company were conducted on an arms length basis.

Air Future Ltd owns, directly and via its 100% owned subsidiary IT Mondial Pty Ltd, 77.1% of Air Volution Ltd. The Company has charged Air Volution Ltd consultancy fees for business development and administration during the period of \$106,667 (2014: \$104,620). As at 31 December 2015 trade and other receivables includes \$63,292 due from Air Volution Ltd (2014: \$0). Due to the inherent uncertainty of recoverability of the receivable from Air Volution Limited due to not yet having commenced commercial operations, the directors have approved the write down of the receivable due from Air Volution Limited to nil, rather than including the receivable as an asset on the statement of financial position.

On the 31 December 2014 Air Volution Ltd issued 727,071 shares at \$0.1569 per share to Air Future Ltd in repayment of an intercompany receivable of \$114,095.

Air Future Ltd up until 31 October 2015 owned 44% of IT Mainland Ltd. IT Mainland Ltd was an associate company. As at 31 December 2014 trade and other receivables included \$33,842 due from IT Mainland Ltd in respect of the reimbursement of expenses paid on behalf of IT Mainland Ltd. Due to the inherent uncertainty of recoverability of the receivable from IT Mainland Limited due to not yet having commenced commercial operations, the directors in 2012 approved the write down of the receivable due from IT Mainland Limited to nil, rather than including the receivable as an asset on the statement of financial position.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 30 Related parties (continued)

On 31 March 2009 the Company's associate, IT Mainland Ltd, granted the Company's subsidiary, Air Volution Ltd, an option to purchase 40 million shares in IT Mainland Ltd, and the Company's subsidiary, IT Australasia Pty Ltd, 24 million shares in IT Mainland. The options were granted in consideration for the subsidiary companies entering into a Co-Development Agreement with IT Mainland that grants to IT Mainland Ltd the exclusive right to licence the Air Future and MDI Information, Communication, Energy, and Transport (ICET) technology package within New Zealand, subject to licence terms being negotiated by all parties. The options have an exercise price of 60 cents per share and will expire if not exercised before 5 February 2016. IT Australasia Pty Ltd has been de-registered and as such no longer exists.

On 21 October 2014 IT Mainland Ltd, Air Volution Ltd and the Company entered into a Termination Agreement that terminated the Co-Development Agreement and the Option Agreement. The Termination Agreement requires the Company to negotiate in good faith with IT Mainland Ltd to compensate IT Mainland Ltd for entering into the Termination Agreement.

On 31 October 2015 the Company entered into an agreement with IT Mainland Ltd for the Company to purchase all of the assets, rights, interest and intellectual property held by IT Mainland Ltd for \$831,745. This consideration was met by IT Mainland Ltd repurchasing all of the Company's shares in IT Mainland Ltd for nil value, the Company issuing 11,073,721 ordinary shares fully paid at \$0.07 per share to IT Mainland Ltd and the payment by the Company to IT Mainland Ltd of \$56,585 to enable the repayment of the amount IT Mainland Ltd owed the Company on 31 October 2015.

Air Future Ltd owns 100% of the subsidiary IT Mondial Pty Ltd.

During the 2009 year IT Mondial Pty Ltd, a subsidiary company, received a deposit from a third party on the design production and logistics for the supply of an innovative air engine generator system of AU\$50,000. IT Mondial Pty Ltd paid this deposit to the Company during the 2009 year. As at 31 December 2015 the Parent trade and other payables includes \$53,333 (2014: \$52,312) due to IT Mondial Pty Ltd being the deposit received. The Group trade and other payables includes \$53,333 (2014: \$52,312) due by IT Mondial Pty Ltd to a third party being the deposit received.

Apart from the receivables due from Air Volution Ltd and IT Mainland Ltd referred to above within this note, no other related party debts have been written off or forgiven during the period (2014: \$0).

### 31 Directors and key management personnel

#### (i) Air Future Ltd - Directors remuneration

No Director of the Company has received 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 2015 (2014: \$0).

No Director of the Company is entitled to any post-employment benefits, other long term benefits, termination benefits, or share-based payments.

#### ii) Group subsidiary companies – Directors remuneration

No Director has received 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 subsidiary companies during the year ended 31 December 2015 (2014: \$0).

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 31 Directors and key management personnel (continued)

#### ii) Group subsidiary companies – Directors remuneration (continued)

During the year rent and telephone expenses of \$0 (2014: \$12,555) were paid to a company associated with Mr S Turner, a past director of the Company's subsidiary Air Volution Ltd.

No Director of the Group subsidiary companies is entitled to any post-employment benefits, other long term benefits, termination benefits, or share-based payments.

#### (iii) Share holdings

The Directors of the Company have relevant interests in the following shares of the Company at balance date:

	2015	2014
	\$	\$
Beneficial relevant interest		
R Fitts	16,951,414	13,522,843
D Hilgendorf	21,816,223	21,816,223
G M Kain	20,688,655	19,888,655
P Macauley	21,814,834	21,814,834
Non-beneficial relevant interest		
R Fitts	1,803,999	1,803,999
D Hilgendorf	22,500	22,500
G M Kain	1,803,999	1,803,999

The Directors of the Company have relevant interests in the following share options of the Company at balance date:

	2015	2014
	\$	\$
Beneficial relevant interest		
R Fitts	8,000,000	8,000,000
D Hilgendorf	-	-
G M Kain	8,000,000	8,000,000
P Macauley	-	-

On 31 December 2015 a total of 3,428,571 ordinary shares fully paid were issued for cash at \$0.07 per share in repayment of a \$240,000 advance due to Mr R Fitts, a director of the Company.

On 31 December 2015 a total of 857,143 ordinary shares fully paid were issued for cash at \$0.07 per share in repayment of a \$60,000 advance due to Mr G M Kain, a director of the Company.

During the 2014 year Mr Kain sold 57,143 ordinary shares for an average price of \$0.07 per share (2014: 1,110,793 ordinary shares for an average price of \$0.07 per share). Mr Kain advanced the proceeds from the share sales to the Company.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 31 Directors and key management personnel (continued)

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. Any options not exercised by 31 December 2029 will lapse.

The Directors consider that it is unlikely that any of the share options issued on the 31 December 2014 will be exercised in the foreseeable future and therefore have a fair value of nil. The Directors have taken into account the share options exercise price, there being no market to trade the Company's shares, the Company not yet trading profitably and the length of time that will be needed for the Company to change these circumstances.

The Directors of the Company have relevant interests in the following shares of the Company and Group subsidiary companies at balance date:

	2015	2014
	\$	\$
Beneficial relevant interest in Group subsidiary company Air Volution Ltd		
R Fitts	3,622,233	-
D Hilgendorf	-	-
G M Kain	-	-
P Macauley	-	-

On the 27 October 2015 advances of \$72,832 from Mr Fitts to Air Volution Ltd were repaid by the issue of 3,593,661 shares in Air Volution Ltd at \$0.0203 per share.

On the 27 October 2015 Air Volution Ltd issued 28,572 shares in Air Volution Ltd to Mr Fitts at \$0.0747 per share.

The Directors of the Group subsidiary companies (who are not Directors of the Company) have relevant interests in the following shares of the Company and Group subsidiary companies at balance date:

	2015	2014
	\$	\$
Beneficial relevant interest in Group subsidiary company Air Volution Ltd		
F De Neeffe	2,851,196	1,009,091

On the 27 October 2015 advances of \$37,333 from Mr DeNeeffe, a director of Air Volution Ltd, to Air Volution Ltd were repaid by the issue of 1,842,105 shares in Air Volution Ltd at \$0.0203 per share.

#### (iv) Loans from Directors

As at 31 December 2015 the directors have lent the Company \$1,106,407 by way of loan (2014: \$1,212,805).

As at 31 December 2015 the directors have lent the Group \$1,106,972 by way of loan (2014: \$1,320,773).



# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2015

### 31 Directors and key management personnel (continued)

The Group and Company Directors loans include a loan facility, with a balance at 31 December 2015 of \$0 (2014: \$181,517), with a right to charge interest at 10% per annum. Interest of \$0 has been charged in the period (2014: \$14,419).

The Group Directors loans include a loan facility, with a balance at 31 December 2015 of \$0 (2014: \$64,883), with a right to charge interest at 14.5% per annum. Interest of \$0 has been charged in the period (2014: \$8,375).

The Group Directors loans include a loan facility, with a balance at 31 December 2015 of \$0 (2014: \$42,528), with a right to charge interest at 14.5% per annum. Interest of \$0 has been charged in the period (2014: \$5,387).

On the 31 December 2015 advances of \$240,000 from Mr Pitts were repaid by the issue of 3,428,571 shares in the Company at \$0.07 per share.

On the 31 December 2015 advances of \$60,000 from Mr Kain were repaid by the issue of 857,143 shares in the Company at \$0.07 per share.

On the 27 October 2015 advances of \$72,832 from Mr Pitts to Air Volution Ltd were repaid by the issue of 3,593,661 shares in Air Volution Ltd at \$0.203 per share.

On the 27 October 2015 advances of \$37,333 from Mr DeNeefe, a director of Air Volution Ltd, to Air Volution Ltd were repaid by the issue of 1,842,105 shares in Air Volution Ltd at \$0.0203 per share.

#### (v) Key management personnel

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

### 32 Events subsequent to balance date

There have been no events subsequent to balance date (2014: Nil).

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Air Future Limited

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Air Future Limited on pages 4 to 38, which comprise the statement of financial position as at 31 December 2015, statement of comprehensive income, statement of changes in equity and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information for both the Group and Company. The Group comprises the Company and the entities it controlled at 31 December 2015 or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Statements*

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

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

## INDEPENDENT AUDITOR'S REPORT

### Air Future Limited

#### *Opinion*

In our opinion, the financial statements on pages 4 to 38 present fairly, in all material respects the financial position of Air Future Limited as at 31 December 2015 and of its financial performance and its cash flows for the year ended thereon, in accordance with New Zealand Equivalents to International Financial Reporting Standards.

#### *Emphasis of Matter*

Without modifying our opinion, we draw attention to note 2(c) in the financial statements, which describes the basis of accounting. The financial statements for the year ended 31 December 2015 have been prepared on a realisation basis. As disclosed in the Company's statement of accounting policies and notes to the financial statements, the Group and Company are reliant on future capital raising to provide funding for its continuing technology development and market development ambitions. As the success of this future capital raising is not certain, the financial statements have been prepared on a realisation basis.

#### *Report on Other Legal and Regulatory Requirements*

In accordance with section 16 of the Financial Reporting Act 1993, we report that:

- We have obtained all the information and explanations that we have required; and
- In our opinion proper accounting records have been kept by Air Future Limited as far as appears from an examination of those records.

*PKF Goldsmith Fox Audit*

29 June 2016  
Christchurch, New Zealand