

# AIR FUTURE LIMITED

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

**For the Year Ended 31 December 2018**

**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 New Zealand Ltd.

**COMPANY NUMBER:**

899632

**REGISTERED OFFICE:**

201 Memorial Avenue  
Christchurch 8053

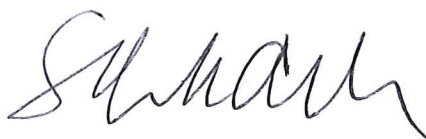
**FINANCIAL STATEMENTS**  
**OF**  
**AIR FUTURE LIMITED AND GROUP**  
**For the Year Ended 31 December 2018**  
**APPROVAL BY DIRECTORS**

The directors are pleased to present the financial statements of Air Future Limited and Group for the year ended 31 December 2018 on pages 4 to 34.

The directors authorised the issue of these financial statements on the 11 June 2019.



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 2018

	Note	Group 2018 \$	Group 2017 \$	Parent 2018 \$	Parent 2017 \$
Revenue	5	31	-	31	27,299
Gain on write off of Financing Loan		-	-	-	-
Expenses	6	(937,450)	(1,001,485)	(406,475)	(487,687)
Finance expenses		(32,707)	(15,707)	(32,707)	(15,707)
Equity settled share based payments	9	(940,832)	-	(940,832)	-
Write on (off) irrecoverable minority interest	11	(163,366)	(153,879)	-	-
Profit (loss) before income tax		(2,074,324)	(1,171,071)	(1,379,983)	(476,095)
Income tax credit	8	-	-	-	-
Profit (loss) from operations		(2,074,324)	(1,171,071)	(1,379,983)	(476,095)
Net (profit) loss attributable to minority interest	11	163,366	153,879	-	-
<b>Profit (loss) from operations attributable to parent shareholders</b>		<b>(1,910,958)</b>	<b>(1,017,192)</b>	<b>(1,379,983)</b>	<b>(476,095)</b>
Other comprehensive income		-	-	-	-
<b>Comprehensive income (loss) attributable to parent shareholders</b>		<b>(1,910,958)</b>	<b>(1,017,192)</b>	<b>(1,379,983)</b>	<b>(476,095)</b>

The above statements of comprehensive income should be read in conjunction with the accompanying Notes to the Financial Statements on pages 8 to 34.

# Air Future Limited

## Statements of Changes in Equity

For the year ended 31 December 2018

	Note	Group 2018 \$	Group 2017 \$	Parent 2018 \$	Parent 2017 \$
<b>Total equity at the beginning of the financial period</b>					
Parent shareholders' equity		(3,913,309)	(2,906,117)	(2,870,480)	(2,404,385)
Minority interest equity		-	-	-	-
		<u>(3,913,309)</u>	<u>(2,906,117)</u>	<u>(2,870,480)</u>	<u>(2,404,385)</u>
<b>Comprehensive income (loss) for the period, comprising</b>					
Parent shareholders' interest		(1,910,958)	(1,017,192)	(1,379,983)	(476,095)
Minority interest		(163,366)	(153,879)	-	-
		<u>(2,074,324)</u>	<u>(1,171,071)</u>	<u>(1,379,983)</u>	<u>(476,095)</u>
<b>Transactions with equity holders in their capacity as equity holders</b>					
Parent issue of shares	9	10,000	10,000	10,000	10,000
Minority interest shareholders' contributions of equity	11	-	-	-	-
Parent gain on minority interest shareholders' contributions of equity	11	-	-	-	-
Movement in irrecoverable minority interest	11	163,366	153,879	-	-
		<u>173,366</u>	<u>163,879</u>	<u>10,000</u>	<u>10,000</u>
Expenses incurred in capital raising	9	(9,250)	-	(9,250)	-
Equity settled share based payments		940,832		940,832	
<b>Total equity at the end of the financial period</b>					
Parent shareholders' equity		(4,882,685)	(3,913,309)	(3,308,881)	(2,870,480)
Minority interest equity		-	-	-	-
		<u>(4,882,685)</u>	<u>(3,913,309)</u>	<u>(3,308,881)</u>	<u>(2,870,480)</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 34.

# Air Future Limited

## Statements of Financial Position

As at 31 December 2018

	Note	Group 2018 \$	Group 2017 \$	Parent 2018 \$	Parent 2017 \$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	12	78	7,286	46	21
Trade and other receivables	13	5,643	13,152	4,106	13,122
Total current assets	22	5,721	20,438	4,152	13,143
<b>Non-current assets</b>					
Property, plant and equipment	14	7,113	7,029	2,265	566
Intangible assets	15	-	-	-	-
Investments in subsidiaries	16	-	-	-	-
Advance to MDI SA	17	-	-	-	-
Total non-current assets		7,113	7,029	2,265	566
<b>Total assets</b>		<b>12,834</b>	<b>27,467</b>	<b>6,417</b>	<b>13,709</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Bank overdraft	18	16,620	4,276	16,620	4,276
Trade and other payables	19	2,819,988	2,278,767	1,239,769	1,222,180
Unsecured advances	20	307,028	170,079	307,028	170,079
Loans from Directors	21	1,751,882	1,487,654	1,751,882	1,487,654
Total current liabilities		4,895,518	3,940,776	3,315,299	2,884,189
<b>Non-current liabilities</b>					
Total non-current liabilities		-	-	-	-
<b>Total liabilities</b>		<b>4,895,518</b>	<b>3,940,776</b>	<b>3,315,299</b>	<b>2,884,189</b>
<b>Net assets (liabilities)</b>		<b>(4,882,684)</b>	<b>(3,913,309)</b>	<b>(3,308,882)</b>	<b>(2,870,480)</b>
<b>EQUITY</b>					
Contributed equity	9	20,789,191	20,788,442	20,789,191	20,788,442
Equity settled options reserve		940,832	-	940,832	-
Accumulated losses	10	(26,612,707)	(24,701,751)	(25,038,905)	(23,658,922)
Parent shareholders' equity		(4,882,684)	(3,913,309)	(3,308,882)	(2,870,480)
Minority interest	11	-	-	-	-
<b>Total equity</b>		<b>(4,882,684)</b>	<b>(3,913,309)</b>	<b>(3,308,882)</b>	<b>(2,870,480)</b>

The above statements of financial position should be read in conjunction with the accompanying Notes to the Financial Statements on pages 8 to 34.

# Air Future Limited

## Statements of Cash Flows

For the year ended 31 December 2018

	Note	Group 2018 \$	Group 2017 \$	Parent 2018 \$	Parent 2017 \$
<b>Cash Flows From Operating Activities</b>					
Cash was provided from (applied to):					
Receipts from customers		-	-	-	27,299
Interest and dividends received		30	-	30	-
Payments to employees and suppliers (inclusive of Goods & Services Tax)		(385,663)	(386,151)	(312,177)	(315,542)
Interest paid		(32,707)	(15,707)	(32,707)	(15,707)
Net cash (outflows) from operating activities	23	(418,340)	(401,858)	(344,854)	(303,950)
<b>Cash Flows From Investing Activities</b>					
Cash was provided from (applied to):					
Purchase of plant and equipment	14	(2,389)	(23,758)	(2,389)	(938)
Net cash inflows from investing activities		(2,389)	(23,758)	(2,389)	(938)
<b>Cash Flows From Financing Activities</b>					
Cash was provided from (applied to):					
Proceeds from issue of shares in parent	9	-	64,228	-	64,228
Advances (to) from subsidiary	13	-	-	(66,253)	(108,716)
Unsecured advances proceeds (repaid)	20	136,949	54,172	136,949	54,172
Directors' loans proceeds (repaid)	21	264,228	154,094	264,228	154,647
Net cash flows from financing activities		401,177	272,494	334,924	164,331
<b>Net increase (decrease) in cash and cash equivalents</b>		(19,552)	(153,122)	(12,319)	(140,557)
Cash and cash equivalents at beginning of period		3,010	156,132	(4,255)	136,302
<b>Cash and cash equivalents at end of period</b>		(16,542)	3,010	(16,574)	(4,255)

The above statements of cash flows should be read in conjunction with the accompanying Notes to the Financial Statements on pages 8 to 34

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

### 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 address of its registered office at Balance Sheet date was 201 Memorial Avenue, Christchurch 8053. This registered address changed to 54 Holly Road, Christchurch 8041 on the 19<sup>th</sup> February 2019.

These financial statements have been approved for issue by the Board of Directors on 11 June 2019. 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 financial statements have been prepared on a realisation basis as the directors are of the view that due to significant uncertainty over future funding of the Company the Company and Group cannot be considered a going concern.

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

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.

#### *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.

#### *Statutory base*

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

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



# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

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

#### *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.

#### *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 impairment of certain assets as identified in the specific accounting policies below.

#### (b) Critical accounting estimates

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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 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:

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

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

#### (f) Revenue recognition

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

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

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

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

(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.

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.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

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

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

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

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

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

#### (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.

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.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

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

#### (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 Statement of Comprehensive Income. 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 Statement of Comprehensive Income 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).

#### (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.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

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

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.

#### (u) Financial Liabilities: Financial Liabilities are detailed as follows;

- Note 18 - Bank Overdraft
- Note 19 - Trade and other payables
- Note 20 – Unsecured Advances
- Note 21 – Loans from Directors
- Note 25 – Capital Commitments
- Note 26 - Contingencies
- Note 28 – Related Parties
- Note 29 – Directors and key management personnel

#### (v) 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.

#### (w) Share based payments

The company measures the costs of equity settled transactions with employees and directors by reference to the fair value of the equity instruments at the date on which they were granted. The fair value is determined by using the Black Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity settled share based payments will have no impact on the carrying amounts of the assets and liabilities with the next annual reporting period but may impact profit or loss and equity.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

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

#### (x) 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.

#### (y) 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 2017 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 2018 financial statements on a realisation basis.

The impact of this change on the year ended 31 December 2018 financial statements is as follows:

	Group 2018	Group 2017	Parent 2018	Parent 2017
	\$	\$	\$	\$
Write down of plant and equipment additions to realisable value	-	15,522	-	400
Write off operating lease commitment entered into in the period	-	-	-	-
Less operating lease payments in the period	-	-	-	-
Total additional expense included in Statement of Comprehensive Income	-	15,522	-	400

#### *Provision against investment in subsidiary company Air Volution Limited*

Due to the inherent uncertainty of recoverability of the investment in Air Volution Limited, \$512,566, 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.

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

Due to the inherent uncertainty of recoverability of the receivable in Air Volution Limited, \$258,479 as at 31 December 2018 (2017 - \$ 266,173), 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.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

### 3 Critical accounting estimates (continued)

#### *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.

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

Due to the inherent uncertainty of recoverability of the advance to MDI SA, \$869,379 (2017 \$858,113), 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.

#### *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, \$420,168 (2017 \$439,657), 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 flows 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.

#### (iv) Summarised sensitivity analysis

The Company advances from third parties included in unsecured advances, \$307,028 (2017 \$170,079), 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 \$1,097. If the New Zealand dollar were to appreciate against the Canadian dollar by 5% the Company’s liability would decrease by \$1,097.

The Group advance to MDI SA, \$869,379 (2017 \$858,113) (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 \$45,836. If the New Zealand dollar were to appreciate against the euro by 5% the Company’s asset would decrease by \$41,393.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

### 4 Financial risk management (continued)

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.

#### (b) 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.

#### (c) 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.

#### (d) Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue to operate and maintain solvency. The Company is 100% funded with money invested by Shareholders and Directors, and during 2018 and 2017 was not subject to any externally imposed capital requirements.

### 5 Revenue

	Group 2018	Group 2017	Parent 2018	Parent 2017
	\$	\$	\$	\$
Consulting and management fees charged to Subsidiaries	-	-	-	27,299
				<u>27,299</u>



# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

6 Expenses	Group 2018 \$	Group 2017 \$	Parent 2018 \$	Parent 2017 \$
Included in the Expenses are the following:				
Amortisation of trademarks	-	-	-	-
Depreciation	2,305	1,297	2,305	62
Directors fees	-	-	-	-
Loss (profit) on sale / write off of plant and equipment	-	-	-	-
Operating lease rentals	-	13,147	-	13,147
Write down fixed asset addition to realisable value	-	15,522	-	400
Write off of operating lease commitment	-	-	-	-
Unrealised foreign exchange loss (gain) on Advance to MDI SA	(11,266)	(95,032)	(11,266)	(95,032)
Provision against MDI advance	11,266	95,032	11,266	95,032
Unrealised foreign exchange (gain) loss on Trade and other payables	-	15,754	-	15,754
Unrealised foreign exchange (gain) loss on Unsecured Advances	913	1,135	913	1,135
Unrealised foreign exchange (gain) loss on directors loans	-	-	-	-
Writedown of receivable from subsidiary Air Volution Ltd	-	-	-	108,716
Realised loss on investment in subsidiary Air Volution Ltd	-	-	-	-
Provision against investment in subsidiary Air Volution Ltd	-	-	-	-

7 Remuneration of auditors	Group 2018 \$	Group 2017 \$	Parent 2018 \$	Parent 2017 \$
Audit fees – PKF Goldsmith Fox Audit	7,500	7,500	7,500	7,500
Audit fees – Pitcher & Partners	12,600	-	-	-
Other fees	-	-	-	-
	<u>20,100</u>	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

### 8 Income tax

	Group 2018 \$	Group 2017 \$	Parent 2018 \$	Parent 2017 \$
Profit (loss) before income tax	(1,910,958)	(1,171,071)	(1,379,983)	(476,095)
Income tax at 28 cents (2017: 28 cents)	(535,068)	(327,900)	(386,395)	(133,307)
Temporary differences	168,688	190,968	24,745	45,888
Permanent differences	238,066	(25,367)	263,525	92
Income tax losses not recognised	138,934	175,296	98,125	87,327
Adjustment for tax on foreign loss due to different rate	(10,620)	(12,997)	-	-
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 2018 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 \$18,330,739 (2017: 17,787,715) and Parent \$14,770,477 (2017: \$14,420,064). 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 (2017: \$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 2018 \$	Group 2017 \$	Parent 2018 \$	Parent 2017 \$
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 2018

### 9 Contributed equity

	Group	Group	Parent	Parent
	2018	2017	2018	2017
	\$	\$	\$	\$
Balance at beginning of period – 227,775,119 ordinary shares fully paid	20,788,442	20,778,442	20,788,442	20,778,442
Shares issued during the period – 142,857 ordinary shares fully paid (2017: 142,857)	10,000	10,000	10,000	10,000
Expenses incurred in marketing production	(9,250)	-	(9,250)	-
Balance at end of period – 227,917,976 ordinary shares fully paid	20,879,191	20,788,442	20,879,191	20,788,442

#### 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 29 June 2018 142,857 ordinary shares fully paid were issued for cash at \$0.07 per share in repayment of \$10,000 advance due to a third party.

Included in the Loans from Directors (see Note 21) are advances from Mr Fitts of \$1,286,701. The Company has agreed with Mr Fitts that, at Mr Fitts discretion, he may request the repayment, or part repayment, of the advances in cash or by the Company issuing ordinary shares in the Company to Mr Fitts at \$0.07 per share.

#### Share Options

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

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

On 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 2021. Any options not exercised by 31 December 2021 will lapse.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

### 9 Contributed equity (continued)

On 31 July 2017 the Company issued 5,000,000 options to employees to promote and reward long term commitment to the Company and to align the employee's incentives with the Company's objectives. Each option if exercised, converts to one ordinary share at a subscription price of \$0.07. One half (50%) of the options issued to a recipient may be exercised from the date of issue and the remainder may be exercised as a further 12.5% at each of the year one, two, three, and four anniversaries of their issue until the expiry date of the options being 31 July 2024. Any options not exercised by 31 July 2024 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 2021. Any options not exercised by 31 December 2021 will lapse.

The Directors, in prior years, considered that it is unlikely that any of the share options issued on the 5 December 2017, 31 July 2017, 31 December 2015 and 31 December 2014 would be exercised in the foreseeable future and therefore attributed a fair value of nil. The Directors have again considered the future value of the options and have applied the Black Scholes model to assess the value of the issued options. The main assumptions are a risk free investment rate of 1.75% and a standard deviation of 50% - 62% and a current share price of \$0.07.

<b>10 Accumulated losses</b>	Group 2018	Group 2017	Parent 2018	Parent 2017
	\$	\$	\$	\$
Balance at beginning of the period	(24,701,751)	(23,684,559)	(23,658,922)	(23,182,827)
Comprehensive income (loss) for the period	(1,910,958)	(1,017,192)	(1,379,983)	(476,095)
Balance at end of the period	<u>(26,612,709)</u>	<u>(24,701,751)</u>	<u>(25,038,905)</u>	<u>(23,658,922)</u>

<b>11 Minority interest</b>	Group 2018	Group 2017	Parent 2018	Parent 2017
	\$	\$	\$	\$
Minority interest at beginning of the period	-	-	-	-
Irrecoverable	-	-	-	-
Share of comprehensive income (loss) for the period	(163,366)	(153,879)	-	-
Minority interest contribution	-	-	-	-
Parent gain on minority interest contribution	-	-	-	-
Write off minority interest not recoverable	163,366	153,879	-	-
Balance at end of the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Third parties have a beneficial interest of 23.8% in the Air Future Limited subsidiary, Air Volution Ltd, at 31 December 2018 (2017: 23.8%).

As at 31 December 2018 the total number of fully paid shares on issue in Air Volution Limited was 169,505,588 (2017: 169,505,588).

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

12 Cash and cash equivalents	Group	Group	Parent	Parent
	2018	2017	2018	2017
	\$	\$	\$	\$
Cash at bank	78	7,286	46	21
Total cash and cash equivalents	78	7,286	46	21

(i) Cash at bank

The interest rate on Group and Company cash at bank was 0.0% during the period (2017 0.0%).

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

	Group	Group	Parent	Parent
	2018	2017	2018	2017
	\$	\$	\$	\$
Balances as above	78	7,286	46	21
Bank overdraft (see note 18)	(16,620)	(4,276)	(16,620)	(4,276)
Balances as per Statements of Cash Flows	(16,542)	3,010	(16,574)	(4,255)

13 Trade and other receivables	Group	Group	Parent	Parent
	2018	2017	2018	2017
	\$	\$	\$	\$
Trade receivables	-	-	-	-
Subsidiary company receivable	-	-	258,478	266,173
Provision against subsidiary company receivable	-	-	(258,478)	(266,173)
Share issue proceeds receivable	-	-	-	-
Sundry debtors and prepayments	-	12,646	-	12,646
Goods & Services Tax refund due	5,643	506	4,106	476
Total trade and other receivables	5,643	13,152	4,106	13,122

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.

During the year the Company advanced a further \$66,253 to the subsidiary company Air Volution Ltd. Due to the inherent uncertainty of recoverability of the receivable from Air Volution Limited, \$258,478 (2017: \$266,173), 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.

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 Taxation Office interest maybe payable at the standard Inland Revenue and Australian Taxation 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.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

### 14 Property, Plant & Equipment

Group	Plant & equipment	Office equipment	Total
	2018	2018	2018
	\$	\$	\$
Cost at the beginning of the year	59,738	26,805	86,543
Accumulated depreciation	(28,643)	(6,625)	(35,268)
Write down to realisable value	(29,190)	(15,056)	(44,246)
Net book value at the beginning of the year	1,905	5,124	7,029
Additions during the year	2,389	-	2,389
Disposals during the year	-	-	-
Depreciation during the year	2,305	-	2,305
Write down to realisable value	-	-	-
Cost at the end of the year	62,127	26,805	88,932
Accumulated depreciation	(30,948)	(6,625)	(37,573)
Write down to realisable value	(29,190)	(15,056)	(44,246)
Net book value at the end of the year	1,989	5,124	7,113

Group	Plant & equipment	Office equipment	Total
	2017	2017	2017
	\$	\$	\$
Cost at the beginning of the year	56,042	8,245	64,287
Accumulated depreciation	(27,940)	(6,181)	(34,121)
Write down to realisable value	(28,012)	(2,064)	(30,076)
Net book value at the beginning of the year	90	-	90
Additions during the year	5,198	18,560	23,758
Disposals during the year	-	-	-
Depreciation during the year	(853)	(444)	(1,297)
Write down to realisable value	(2,530)	(12,992)	(15,522)
Cost at the end of the year	59,738	26,805	86,543
Accumulated depreciation	(28,643)	(6,625)	(35,268)
Write down to realisable value	(29,190)	(15,056)	(44,246)
Net book value at the end of the year	1,905	5,124	7,029

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

### 14 Property, Plant & Equipment (continued)

Parent	Plant & equipment	Office equipment	Total
	2018	2018	2018
	\$	\$	\$
Cost at the beginning of the year	55,478	8,245	63,723
Accumulated depreciation	(27,852)	(6,181)	(34,033)
Write down to realisable value	(27,060)	(2,064)	(29,124)
Net book value at the beginning of the year	566	-	566
Additions during the year	2,389	-	2,389
Disposals during the year	-	-	-
Depreciation during the year	2,305	-	2,305
Write down to realisable value	-	-	-
Cost at the end of the year	58,431	8,245	66,676
Accumulated depreciation	(28,154)	(6,181)	(34,335)
Write down to realisable value	(28,012)	(2,064)	(30,076)
Net book value at the end of the year	2,265	-	2,265
Parent	Plant & equipment	Office equipment	Total
	2017	2017	2017
	\$	\$	\$
Cost at the beginning of the year	56,042	8,245	64,287
Accumulated depreciation	(27,940)	(6,181)	(34,121)
Write down to realisable value	(28,012)	(2,064)	(30,076)
Net book value at the beginning of the year	90	-	90
Additions during the year	938	-	938
Disposals during the year	-	-	-
Depreciation during the year	(62)	-	(62)
Write down to realisable value	(400)	-	(400)
Cost at the end of the year	55,478	8,245	63,723
Accumulated depreciation	(27,852)	(6,181)	(34,033)
Write down to realisable value	(27,060)	(2,064)	(29,124)
Net book value at the end of the year	566	-	566

There is no Property, plant and equipment held on finance lease (2017: Nil).

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

### 15 Intangible assets

Trademarks	Group	Group	Parent	Parent
	2018	2017	2018	2017
	\$	\$	\$	\$
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.

### 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.

### 16 Investments in subsidiaries

	Group	Group	Parent	Parent
	2018	2017	2018	2017
	\$	\$	\$	\$
Investment in subsidiaries	-	-	512,566	512,566
Provision against investment in subsidiaries	-	-	(512,566)	(512,566)
Total investment in subsidiaries	-	-	-	-



# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

### 16 Investments in subsidiaries (continued)

#### Subsidiaries owned at 31 December 2018:

Name	Percentage Held		Principal Activities	Balance Date
	2018	2017		
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)	76.2%	76.2%	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 2016 to support the Company's subsidiary Air Volution Ltd the Company transferred 733,862 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 \$8,549 and been written down to a nil realisation value at 31 December 2008.

Apart from the transfers referred to above the Company has not sold any shares in Air Volution Ltd during the year ended 31 December 2018 (2017: Nil).

### 17 Advance to MDI SA

	Group 2018	Group 2017	Parent 2018	Parent 2017
	\$	\$	\$	\$
Advance to MDI SA	869,379	858,113	869,379	858,113
Provision against advance to MDI SA	(869,379)	(858,113)	(869,379)	(858,113)
Advance to MDI SA	-	-	-	-

Air Volution Ltd, a subsidiary of the Company, had advanced the amount of euro 509,891 (2016: 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

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

### 17 Advance to MDI SA (continued)

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.

18 Bank overdraft	Group	Group	Parent	Parent
	2018	2017	2018	2017
	\$	\$	\$	\$
Bank overdraft - unsecured	16,620	4,276	16,620	4,276
Total bank overdraft	16,620	4,276	16,620	4,276

The Company has 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 was 13.35% during the period, (2017: averaged 13.17% during the period and ranged from 13.10% to 13.20%).

19 Trade and other payables	Group	Group	Parent	Parent
	2018	2017	2018	2017
	\$	\$	\$	\$
Trade payables	937,786	936,673	930,964	931,179
Accruals	1,880,691	1,283,357	307,294	232,264
Deposit received for the design production and logistics for the supply of an innovative generator system	-	54,957	-	54,957
Operating lease commitment	1,511	3,780	1,511	3,780
Total trade and other payables	2,819,988	2,278,767	1,239,769	1,222,180

As at 31 December 2018 the Group trade payables under trade and other payables includes an amount of \$1,791 in respect of expenses reimbursement due to the Air Volution Ltd director, Mr Mennega (2017: \$1,791). These amounts will be paid when billed and as company funds allow.

As at 31 December 2018 the Company and Group accruals under trade and other payables includes a provision of \$66,064 in respect of unbilled consulting services to the Company provided by the Company director, Mr Fitts (2017: \$59,164). These amounts will be paid when billed and as company funds allow.

As at 31 December 2018 the Company and Group accruals under trade and other payables includes a provision of \$209,000 in respect of unbilled consulting services to the Company provided by the Company director, Mr Kain (2017: \$135,000). These amounts will be paid when billed and as company funds allow.

As at 31 December 2018 the Group accruals under trade and other payables includes a provision of \$236,345 in respect of unbilled consulting services provided to Air Volution Ltd by the Air Volution Ltd director, Mr Fitts (2017: \$148,384). These amounts will be paid when billed and as company funds allow.

## Air Future Limited

### Notes to the Financial Statements

For the year ended 31 December 2018

As at 31 December 2018 the Group accruals under trade and other payables includes a provision of \$236,345 in respect of unbilled consulting services provided to Air Volution Ltd by the Air Volution Ltd director, Mr Kain (2017: \$148,384). These amounts will be paid when billed and as company funds allow.

As at 31 December 2018 the Group accruals under trade and other payables includes a provision of \$550,641 in respect of unbilled consulting services provided to Air Volution Ltd by the Air Volution Ltd director, Mr Mennege (2017: \$378,336). These amounts will be paid when billed and as company funds allow.

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 2018 the Parent trade and other payables includes \$0 (2017: \$54,957) due to IT Mondial Pty Ltd being the deposit received. The Group trade and other payables includes \$0 (2017: \$54,957) due by IT Mondial Pty Ltd to a third party being the deposit received. This amount was written off during the 2018 financial year.

On 24 August 2016 the Company entered into an operating lease for a laptop computer. As at the 31 December 2018 there were 8 monthly instalments of \$188.98 outstanding. As the financial statements are prepared on a realisation basis all of the operating lease instalments were recognised as an expense in the 2018 year and all of the outstanding instalments at year end included as a current liability in the Statements of Financial Position.

20 Unsecured Advances	Group	Group	Parent	Parent
	2018	2017	2018	2017
	\$	\$	\$	\$
Advances by third parties	307,028	170,079	307,028	170,079

On the 5 October 2018 advances of \$10,000 from a third party were repaid by the issue of 142,857 shares in the Company at \$0.07 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 \$49,811 (2017: \$45,896) and are repayable on demand. Interest is payable on these advances at an annual compounding rate of 10%.

As at 31 December 2018 other advances had been received from third parties of \$257,218 (2017: \$124,184). These advances are unsecured and renewable for continuing three monthly minimum periods at the lenders discretion. The lender has a right to convert the advances to shares. There is no interest payable. Of the \$257,218 the sum of \$108,000 was due and payable at 31 December 2018

21 Loans from Directors	Group	Group	Parent	Parent
	2018	2017	2018	2017
	\$	\$	\$	\$
Balance at the beginning of the period	1,487,654	1,333,560	1,487,654	1,333,007
Net loan advances during the period	264,228	154,094	264,228	154,647
Unrealised foreign exchange movement	-	-	-	-
Balance at end of the period	1,751,882	1,487,654	1,751,882	1,487,654

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

### 21 Loans from Directors (continued)

Included in the Loans from Directors are advances from Mr Fitts of \$1,286,701. The Company has agreed with Mr Fitts that, at Mr Fitts discretion, he may request the repayment, or part repayment, of the advances in cash or by the Company issuing ordinary shares in the Company to Mr Fitts at seven cents per share.

During the 2018 and 2017 years Mr Fitts advanced funds to the Company. These funds were sourced from two loan facilities that Mr Fitts's arranged privately. The Company has agreed to reimburse Mr Fitts for the interest that he incurred under these facilities during 2017. The interest payable under this reimbursement is \$4,718 (2017: \$4,718). There is no interest charge for 2018.

### 22 Financial instruments by category

The Group's Financial Instruments comprise of cash and receivables, Financial Instruments also include Trade Payables (Note 19) and Unsecured Advances (Note20),

Assets as per statement of financial position

Group	Loans and receivables \$	Available for sale \$	Total \$
As at 31 December 2018			
Trade and other receivables	5,643	-	5,643
Income tax refund due	-	-	-
Cash and cash equivalents	78	-	78
	<u>5,721</u>	<u>-</u>	<u>5,721</u>
As at 31 December 2017			
Trade and other receivables	13,152	-	13,152
Income tax refund due	-	-	-
Cash and cash equivalents	7,286	-	7,286
	<u>20,438</u>	<u>-</u>	<u>20,438</u>
<b>Parent</b>			
	\$	\$	\$
As at 31 December 2018			
Trade and other receivables	4,106	-	4,106
Income tax refund due	-	-	-
Cash and cash equivalents	46	-	46
	<u>4,152</u>	<u>-</u>	<u>4,152</u>
As at 31 December 2017			
Trade and other receivables	13,122	-	13,122
Income tax refund due	-	-	-
Cash and cash equivalents	21	-	21
	<u>13,143</u>	<u>-</u>	<u>13,143</u>

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

### 23 Net cash outflows from operating activities

	Group 2018	Group 2017	Parent 2018	Parent 2017
	\$	\$	\$	\$
Reconciliation of comprehensive income (loss) with net cash flows from operating activities:				
Profit (loss) from operations for the year	(1,910,958)	(1,171,071)	(1,379,983)	(476,095)
Depreciation	2,305	1,297	2,305	62
Write down of plant and equipment to realisable value	-	15,522	-	400
Provision against advance to MDI SA	-	95,032	-	95,032
Unrealised foreign exchange loss (gain) on advance to MDI SA	(11,266)	(95,032)	(11,266)	(95,032)
Unrealised foreign exchange (gain) loss on unsecured advances	913	1,135	913	1,135
Write down (back) of receivable in subsidiary Air Volution Ltd	-	-	-	108,716
Write off (back) of provision on investment in subsidiary Air Volution Ltd	-	-	-	-
Equity settled share based payments	(940,832)	-	(940,832)	-
Write off minority interest not recoverable	163,366	153,879	-	-
Movements in working capital:				
(Increase) decrease in trade and other receivables excluding share issue proceeds receivable	7,509	(8,371)	9,016	(8,521)
(Increase) decrease in taxation refund due	-	-	-	-
Increase (decrease) in trade and other payables	388,959	605,751	93,329	70,353
Net cash (outflows) from operating activities	(418,340)	(401,858)	(344,854)	(303,950)

### 24 Operating Lease Commitments – Group and Parent

	Group 2018	Group 2017	Parent 2018	Parent 2017
	\$	\$	\$	\$
Not later than one year	-	-	-	-
Later than one year, not later than two years	-	-	-	-
Later than two years, not later than five years	-	-	-	-

The 2018 financial statements have been prepared on a realised basis with operating lease commitments included in Trade and other payables, see Note 19.

### 25 Capital commitments

There were no capital commitments at 31 December 2018 (2017: \$0)

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

### 26 Contingencies

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.

### 27 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.

### 28 Related parties

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

Air Future Ltd owns, directly and via its 100% owned subsidiary IT Mondial Pty Ltd, 76.2% of Air Volution Ltd. The Company has charged Air Volution Ltd consultancy fees for business development and administration during the period of \$0 (2017: \$27,299). As at 31 December 2018 trade and other receivables includes \$258,478 due from Air Volution Ltd (2017: \$266,173). 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.

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 2018 the Parent trade and other payables includes \$0 (2017: \$54,957) due to IT Mondial Pty Ltd being the deposit received. The Group trade and other payables includes \$0 (2017: \$54,957) due by IT Mondial Pty Ltd to a third party being the deposit received.

Apart from the receivables due from Air Volution Ltd referred to above within this note, no other related party debts have been written off or forgiven during the period (2017: \$0).

Mr R H Fitts and Mr GM Kain both directors of Air Future Ltd are also directors of Air Future Trustee Ltd a discretionary trust holding shares in Air Future Ltd on behalf of the ITL Team Trust. As at 31 December 2018 Mr Fitts & Mr Kain hold, as directors of Air Future Trustee Ltd, a non beneficial interest in 1,803,999 Air Future shares held by Air Future Trustee Ltd.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

### 28 Related parties (continued)

During the 2018 year Mr R H Fitts received \$75,000 by way of remuneration and advanced \$218,236 to the Company. As at 31 December 2018 Mr Fitts has advanced to the Company a total of \$1,286,701.

The Company has agreed with Mr Fitts that, at Mr Fitts discretion, he may request the repayment, or part repayment, of the advances in cash or by the Company issuing ordinary shares in the Company to Mr Fitts at seven cents per share.

During the 2018 year Mr G M Kain received \$0 by way of remuneration and the company has accrued the unbilled amount of \$75,000 (Note 29). During the year Mr Kain has advanced \$44,993 to the Company. As at 31 December 2018 Mr Kain has advanced to the Company a total of \$265,271.

During the 2016 year Mr Fitts sold 1,757,600 shares in Air Volution Ltd at AU\$0.05 per share. The proceeds of the sale were advanced to Air Future Ltd. The sum advance is recorded within the total sum advance as disclosed in Note 21.

### 29 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 2018 (2017: \$0).

The following Directors have been employed by the Company during the year ended 31 December 2018. A part of these fees remain unbilled and will only be paid as Company funds allow. The Company has expensed and accrued the following amounts for employee emoluments.

	2018	2017
	\$	\$
R Fitts	75,000	75,000
G M Kain	75,000	75,000

As at 31 December 2018 the Company and Group accruals under trade and other payables includes a provision of \$66,064 in respect of unbilled consulting services to the Company provided by the Company director, Mr Fitts (2017: \$59,164). These amounts will be paid when billed and as company funds allow

As at 31 December 2018 the Company and Group accruals under trade and other payables includes a provision of \$209,000 in respect of unbilled consulting services to the Company provided by the Company director, Mr Kain (2017: \$135,000). These amounts will be paid when billed and as company funds allow.

No Director of the Company is entitled to any post-employment benefits, other long term benefits, termination benefits, or share-based payments other than existing share options as set out in the shareholding information below.

#### 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 2018 (2017: \$0).

The following Directors have been employed by the Company's subsidiary, Air Volution Ltd, during the year ended 31 December 2018. Air Volution Ltd has expensed and accrued the following amounts for employee emoluments.

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

	2018	2017
	\$	\$
J Mennega	189,075	197,846
R Fitts	94,537	82,436
G M Kain	94,537	82,436

As at 31 December 2018 the Group accruals under trade and other payables includes a provision of \$238,384 in respect of unbilled consulting services provided to Air Volution Ltd by the Air Volution Ltd director, Mr Fitts (2017: \$148,384). These amounts will be paid as company funds allow.

As at 31 December 2018 the Group accruals under trade and other payables includes a provision of \$238,384 in respect of unbilled consulting services provided to Air Volution Ltd by the Air Volution Ltd director, Mr Kain (2017: \$148,384). These amounts will be paid when billed and as company funds allow

As at 31 December 2018 the Group accruals under trade and other payables includes a provision of \$558,336 in respect of unbilled consulting services provided to Air Volution Ltd by the Air Volution Ltd director, Mr Mennega (2017: \$378,336). These amounts will be paid when billed and as company funds allow.

During the year office rent, telephone, travelling and vehicle expenses of \$0 (2017: \$22,408) were paid to Mr J Mennega, a director of the Company's subsidiary Air Volution Ltd. As at 31 December 2018 the Group trade payables under trade and other payables includes an amount of \$1,791 in respect of expenses reimbursement due to Mr Mennega (2017: \$1,791). These amounts will be paid when billed and as company funds allow.

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:

	2018	2017
Beneficial relevant interest		
R Fitts	16,185,793	16,185,793
D Hilgendorf	21,816,223	21,816,223
G M Kain	20,158,757	20,158,757
P Macaulay	22,043,526	22,043,526
Non-beneficial relevant interest		
R Fitts	1,803,999	1,803,999
D Hilgendorf	-	-
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:

	2018	2017
	\$	\$
Beneficial relevant interest		
R Fitts	13,000,000	13,000,000
D Hilgendorf	1,500,000	1,500,000
G M Kain	16,500,000	16,500,000
P Macaulay	1,500,000	1,500,000



# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

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

During the 2017 year Mr Kain sold 230,163 ordinary shares for an average price of \$0.07 per share. Mr Kain advanced the proceeds from the share sales to the Company.

During the 2017 year Mr Kain transferred 30,000 ordinary shares to a third party for nil value.

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

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

On 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 2021. Any options not exercised by 31 December 2021 will lapse.

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

	2018	2017
Beneficial relevant interest in Group subsidiary company Air Volution Ltd		
R Fitts	1,864,633	1,864,633
D Hilgendorf	-	-
G M Kain	-	-
P Macaulay	-	-

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:

	2018	2017
Beneficial relevant interest in Group subsidiary company Air Volution Ltd		
F De Neefe	2,851,196	2,851,196

#### (iv) Loans from Directors

As at 31 December 2018 the directors have lent the Company \$1,751,882 by way of loans (2017: \$1,487,654).

# Air Future Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

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

Included in the Loans from Directors are advances from Mr Fitts of \$1,286,701. The Company has agreed with Mr Fitts that, at Mr Fitts discretion, he may request the repayment, or part repayment, of the advances in cash or by the Company issuing ordinary shares in the Company to Mr Fitts at seven cents per share.

(v) Key management personnel

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

### 30 Events subsequent to balance date

On the 30th January 2019 the Directors Issued a further 25 Million Shares to Air Future Trustee Ltd. Air Future Trustee Ltd is the trustee for the ITL Team Trust a discretionary trust established on 22 December 2006. The Directors of Air Future Trustee Ltd are R H Fitts & G M Kain.

The Discretionary Beneficiaries of the Team Trust are (a) all persons engaged as employees, representatives, representatives and contractors to Air Future Ltd at any time and for any period between 1 January 2005 and 31 December 2007 and (b) such other persons as may be appointed by the appointer. The 'appointer' is Air Future Ltd.

Following the issuing of the further shares the trust holds 26,803,999 ordinary shares in Air Future Ltd

On 12 April 2019, 385,715 ordinary shares, fully paid, were issued for cash at \$0.07 per share.

There have been no further events subsequent to balance date (2017: Nil).

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Air Future Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements on pages 3 to 34 of Air Future Limited (the Company) and its subsidiaries (the Group), which comprise the statements of financial position as at 31 December 2018, the statements of comprehensive income, statements of changes in equity, and the statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information for the Group.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

#### Basis for Opinion

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

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

#### Emphasis of Matter

Without modifying our opinion, we draw attention to note 2(a) in the financial statements, which describes the basis of accounting. The financial statements for the year ended 31 December 2018 have been prepared on a realisation basis. As disclosed in the statement of accounting policies and notes to the financial statements the Company and Group is 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.

Except for the matter described above we have determined that there are no key audit matters to communicate in our report.

#### Information Other than the Financial Statements and Auditor's Report

The directors of the Group are responsible for the Annual Report, which includes information other than the financial statements and audit report which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements do not cover the other information and we do not express any form of assurance conclusion thereon.

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if uncorrected, to take appropriate action to bring the matter to the attention of users for whom our auditor's report was prepared.

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

The directors are responsible on behalf of the Company and Group for the preparation and fair presentation of the 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.

In preparing the financial statements, the directors are responsible, on behalf of the Company and Group, for assessing the Company and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The success of the future capital raising is not certain and the financial statements have been prepared on a realisation basis.

The directors are responsible for overseeing the Company and Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

*PKF Goldsmith Fox Audit*  
**Christchurch, New Zealand**

11 June 2019