

**Martin Aircraft Company Limited**  
**Financial Statements**  
**for the year ended 31 March 2012**

**Martin Aircraft Company Limited**  
**Financial Statements**  
**31 March 2012**

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## Directors' report

The Directors have pleasure in presenting their annual report and financial statements for the year ended 31 March 2012.

### Principal activities

The principal activity of Martin Aircraft Company Limited is the research and development of the Martin Jetpack.

### Result and distribution

The directors report that the group's loss after tax and interest for the year under review was \$1,787,635. No dividends or bonus issues were declared during the year.

### State of company's affairs

As at balance date the company had net liabilities of \$313,680.

Total Assets	635,157
Total Liabilities	948,837
Net Assets (Liabilities)	(313,680)

Since balance date there has been additional equity investment which has resulted in the company repaying all loans and being left with a net asset position. (Note 24)

### Directors

D Hunter was appointed to the Board on 6 April 2011. This appointment was subsequently ratified at the AGM. S Bayliss and P Norman resigned in January 2012 and A Romano resigned in April 2011.

### Directors' interests

The following entries were made in the interests' register of the company with regard to the directors:

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**Directors' Report**  
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*J A Morel*

- Morgo Conferences Ltd
- No 8 Ventures Management Ltd
- Auriga Holdings Ltd
- Open Cloud Ltd and subsidiary
- Surveylab Group Ltd and subsidiaries
- Rex Bionics Ltd

*D Hunter*

- Sino-NZ Manufacturing Aircraft Company Ltd
- Princon Holdings Pty Ltd
- Tugeto Pty Ltd
- Labaton Pty Ltd

*G N Martin*

- Glenn N Martin Ltd

*P Norman*

- Xero Ltd
- Klickex Corporation Ltd
- ViFX General Partner Ltd
- CloudFX Ltd
- Snakk Media Ltd
- CNJ Management Services Ltd
- Nortek Management Services Ltd

*R J Lauder*

- Corporate Fitness NZ Ltd
- Maintenance No. 1 Ltd (formally Excell Corporation Ltd) and subsidiary/associate companies
- Real Journeys Ltd and subsidiary/associate companies

*D Chapman*

- Enatel Ltd
- Enasolar Ltd
- Heurisko Ltd
- Enatel Motive Power Ltd
- Science Alive Exhibits Ltd
- DCH Holdings Ltd
- Darc Technologies Ltd
- Assist Group Ltd
- Automation Assist Ltd
- No 8 Ventures - 10 Ltd
- Electroflash Resourcing Ltd
- Enama Ltd
- DAC No8 Ltd

*S Bayliss*

- Branded Culture Ltd

**General:**

Any transactions which directors may have had with the company are no different in kind, quality, benefit or obligation from transactions which the company has with customers and are disclosed in note 23 of the financial statements.

**Martin Aircraft Company Limited**  
**Directors' Report**  
**31 March 2012**

**Remuneration of directors**

The following directors (who were also employees of Martin Aircraft Company Limited) held office during the year under review:

RL Lauder	Chief Executive
GN Martin	Chief Technical Officer

Directors fees are currently set at \$20,000 per annum for each Director and \$35,000 per annum for the Chairman. The actual directors fees invoiced and paid during the year under review were:

D Hunter	\$11,667
D Chapman	\$5,000
S Bayliss	\$5,000
J Morel	\$5,000
P Norman	\$2,916
A Romano	\$1,000

In addition the following directors received remuneration for services to the company:

RL Lauder	\$188,784
GN Martin	\$181,731
P Norman	\$111,244

No other employees or former employees received remuneration to the value of \$100,000 or greater during the period.

**Donations**

The company did not make any donations during the period.

**Use of Company Information**

During the year the board received no notices from the directors of the company requesting to use company information received in their capacity as directors which would not otherwise have been made available to them.

**Directors' and Employees' Indemnity and Insurance**

Liability insurance was affected for directors of the company.

**Accounting Policies**

Where there have been changes in accounting policies during the year these have been brought about by changes in the nature of the business or updates to IFRS.

**Auditor Remuneration**

Refer to note 17 of the financial statements for auditor remuneration.

For and on behalf of the directors

A handwritten signature in blue ink, consisting of a stylized 'R' followed by a long horizontal stroke.

R Lauder  
Director

Date: 15 November 2012

A handwritten signature in black ink, appearing to be 'J. Morel' with a large, sweeping flourish at the end.

J Morel  
Director

Date: 15 November 2012



## ***Independent Auditors' Report***

to the shareholders of Martin Aircraft Company Limited

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

We have audited the financial statements of Martin Aircraft Company Limited on pages 9 to 35, which comprise the balance sheet as at 31 March 2012, the Statement of Comprehensive Income, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

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

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' 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) and International Standards on Auditing. These standards require that we comply with relevant 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 auditors' 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 auditors consider the internal controls relevant to the Company's preparation of financial statements that give a true and fair view of the matters to which they relate, 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'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 overall 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 auditors we have no relationship with, or interests in, Martin Aircraft Company Limited



## ***Independent Auditors' Report***

Martin Aircraft Company Limited

### ***Opinion***

In our opinion, the financial statements on pages 9 to 35

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Company as at 31 March 2012, and its financial performance and cash flows for the year then ended.

### ***Emphasis of Matter – Fundamental Uncertainty in relation to Going Concern***

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates that the ability of the Company to continue in operational existence is dependent upon its ability to raise additional funding. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2012

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

### ***Restriction on Distribution or Use***

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. 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 an auditors' 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 and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'R. Matthews', written in a cursive style.

Chartered Accountants  
15 November 2012

Christchurch



**Martin Aircraft Company Limited**  
**Statement of Comprehensive Income**  
**For the year ended 31 March 2012**

	Notes	2012 \$	2011 \$
Revenue	3	3,378	131,380
Other income	3	25,205	266,040
<b>Expenses</b>	4		
Lease expense		58,000	58,696
Employee expense		567,525	742,003
Research and development expense		489,572	322,251
Legal fees		78,108	18,045
Finance costs		(18,458)	22,143
Other		<u>641,471</u>	<u>185,982</u>
<b>Loss before income tax</b>		<b>(1,787,635)</b>	<b>(951,700)</b>
Income tax expense	13	<u>-</u>	<u>-</u>
<b>Loss after income tax attributable to shareholders</b>	18	<b>(1,787,635)</b>	<b>(951,700)</b>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income / (loss) attributable to shareholders</b>		<b>(1,787,635)</b>	<b>(951,700)</b>
<b>Earnings per share</b>	15		
Basic		(\$0.23)	(\$0.13)
Diluted		(\$0.23)	(\$0.13)

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Martin Aircraft Company Limited**  
**Statement of Changes in Equity**  
**For the year ended 31 March 2012**

		Share capital	Retained earnings	Share options reserve	Total equity
	Notes	\$	\$	\$	\$
<b>Balance as at 1 April 2010</b>		<b>9,572,201</b>	<b>(9,569,993)</b>	<b>352,603</b>	<b>354,811</b>
Total comprehensive income / (loss)		-	(951,700)	-	(951,700)
Movement in share option reserves	21				
Lapsed share options		-	16,709	(16,709)	-
Current year movement		-	-	163,488	163,488
Issue of share capital	14	634,560	-	-	634,560
<b>Balance as at 31 March 2011</b>		<b>10,206,761</b>	<b>(10,504,984)</b>	<b>499,382</b>	<b>201,159</b>
<hr/>					
<b>Balance as at 1 April 2011</b>		<b>10,206,761</b>	<b>(10,504,984)</b>	<b>499,382</b>	<b>201,159</b>
Total comprehensive income / (loss)		-	(1,787,635)	-	(1,787,635)
Movement in share option reserves	21				
Lapsed share options		-	16,709	(16,709)	-
Current year movement		-	-	100,222	100,222
Issue of share capital	14	1,172,574	-	-	1,172,574
<b>Balance as at 31 March 2012</b>		<b>11,379,335</b>	<b>(12,275,910)</b>	<b>582,895</b>	<b>(313,680)</b>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Martin Aircraft Company Limited**  
**Balance Sheet**  
**As at 31 March 2012**

	Notes	2012 \$	2011 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	122,950	485,165
Other receivables	6	35,782	36,459
Prepayments	6	-	55,738
Inventories	7	20,368	21,966
<b>Total current assets</b>		<b>179,100</b>	<b>599,328</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	41,628	51,939
Intangible assets	9	414,429	361,079
<b>Total non-current assets</b>		<b>456,057</b>	<b>413,018</b>
<b>Total assets</b>		<b>635,157</b>	<b>1,012,346</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	248,159	189,044
Advance	11	100,678	-
<b>Total current liabilities</b>		<b>348,837</b>	<b>189,044</b>
<b>Non-current liabilities</b>			
Convertible notes	11	600,000	622,143
<b>Total non-current liabilities</b>		<b>600,000</b>	<b>622,143</b>
<b>Total liabilities</b>		<b>948,837</b>	<b>811,187</b>
<b>Net assets</b>		<b>(313,680)</b>	<b>201,159</b>
<b>EQUITY</b>			
Contributed equity	14	11,379,335	10,206,761
Share option reserve	21	582,895	499,382
Retained earnings	16	(12,275,910)	(10,504,984)
<b>Total equity</b>		<b>(313,680)</b>	<b>201,159</b>

*The above balance sheet should be read in conjunction with the accompanying notes.*

**Martin Aircraft Company Limited**  
**Statement of Cash Flows**  
**For the year ended 31 March 2012**

	2012	2011
Notes	\$	\$
<b>OPERATING ACTIVITIES</b>		
<b>Cash was received from:</b>		
Receipts from customers	5,944	114,002
Interest received	14,897	7,753
Grants received	-	304,409
Tax refunds received	5,459	-
	<u>26,300</u>	<u>426,164</u>
<b>Cash was applied to:</b>		
Payments to suppliers and employees	<u>1,595,388</u>	<u>1,131,512</u>
<b>Net cash inflow (outflow) from operating activities</b>	<b>18 (1,569,088)</b>	<b>(705,348)</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash was received from:</b>		
Sale of fixed assets	-	356
<b>Cash was applied to:</b>		
Purchase of fixed assets	2,510	29,918
Purchase of intangible assets	<u>63,191</u>	<u>141,898</u>
		171,816
<b>Net cash inflow (outflow) from investing activities</b>	<b>(65,701)</b>	<b>(171,460)</b>
<b>FINANCING ACTIVITIES</b>		
<b>Cash was provided from:</b>		
Loans	100,000	600,000
Issue of ordinary shares	<u>1,172,574</u>	<u>604,560</u>
<b>Net cash inflow (outflow) from financing activities</b>	<b>1,272,574</b>	<b>1,204,560</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(362,215)</b>	<b>327,752</b>
Unrealised foreign exchange gain	-	5,942
Cash and cash equivalents, beginning of year	<u>485,165</u>	<u>151,471</u>
<b>Cash and cash equivalents, end of year</b>	<b>5 122,950</b>	<b>485,165</b>

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

**Martin Aircraft Company Limited**  
**Statement of Accounting Policies**  
**For the year ended 31 March 2012**

## **1 General information**

Martin Aircraft Company Limited (the Company) is developing an aviation prototype. The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is c/- P S Alexander & Associates Ltd, First Floor, Unit 1, Amuri Park, 25 Churchill Street, Christchurch.

These financial statements have been approved for issue by the Board of Directors on 15 November 2012. The Board of Directors do have the power to amend the financial statements after they have been issued.

## **2 Summary of significant accounting policies**

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

### *Going Concern*

The financial position of the Company shows negative equity at 31 March 2012 of \$313,680. Since balance date there has been additional equity investment which has resulted in the company repaying all loans and being left with a net asset position and being able to meet its financial liabilities as they fall due (Note 24). The directors have continued to adopt the going concern assumption in the preparation of the financial statements. This is based on an expectation that further equity investment will be received by the Company within 12 months of the date of signing these accounts. If this investment were not received this would cast significant doubt over the Company's ability to continue as a going concern which would mean it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

### **(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.

#### *Entities reporting*

The financial statements are for Martin Aircraft Company Limited as a separate legal entity.

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

#### *Statutory base*

Martin Aircraft Company 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.

#### *Historical cost convention*

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

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

### **(b) 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 and 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 at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

### **(c) 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 entity has delivered a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale, including any fees payable for the transaction. Such fees are included in cost of goods sold.

#### *(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. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### *(iv) Grants*

Grants received are recognised in the statement of comprehensive income when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

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

### **(d) Income tax**

The income tax expense recognised for the period is the tax payable on the current period's taxable income based on the income tax rate 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 settled, based on those tax rates which are enacted or substantively enacted. 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 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 income 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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments of operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

### **(e) Goods and Services Tax (GST)**

The statement of financial performance has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

### **(f) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight – line basis over the period of the lease.

### **(g) Impairment of non financial assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. 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).

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

### **(h) 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 balance sheet.

### **(i) Other receivables**

Other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. 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 effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

### **(j) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost is determined on a first in, first out basis and in the case of manufactured goods, includes direct materials, labour and production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### **(k) Investments and other financial assets**

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments 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 Company 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 sheet date which are classified as non-current assets. Loans and receivables are included in 'grants and other receivables' in the balance sheet.

Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the assets are included in the statement of comprehensive income in the period in which they arise.



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

### **(l) Property, plant and equipment**

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 and the cost of the item 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.

Land is not depreciated. Depreciation of property, plant and equipment is calculated using diminishing value so as to expense the cost of the assets over their useful lives. The rates are as follows:

- Plant and equipment	10% - 60%
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Capital work in progress is not depreciated until commissioned.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

### **(m) Intangible assets**

#### **(i) Research and development**

Research expenditure is recognised as an expense as incurred. Development costs are recognised as assets if they meet the recognition criteria. The recognition criteria for capitalising development costs are set on the commercial viability and success of the product being developed. Otherwise, the costs of development activities are expensed as incurred. Development costs recognised as assets are amortised over their estimated useful lives. There are no capitalised development costs as at 31 March 2012 (2011: Nil).

#### **(ii) Intellectual Property**

Expenditure incurred on patents, trademarks or licenses are capitalised from the date of application. They have a definite useful life and are carried at cost less accumulated amortisation. They are amortised only after the commercialisation of the technology, using straight line method over the period of expected benefit but not exceeding 20 years.

#### **(iii) Computer Software**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 -5 years). Costs associated with maintaining computer software programs are recognised as an expense when incurred.

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

### **(n) Trade and other payables**

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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 and are usually paid within 30 days of recognition.

### **(o) Convertible notes**

Convertible notes are shown as debt even though they convert to a fixed number of shares at the lenders option. If this is not exercised the convertible notes must be repaid by 31 December 2014 together with accrued interest (refer note 11).

### **(p) Share capital**

Ordinary and preference shares are classified as equity.

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

### **(q) Employee benefits**

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for employee entitlements is carried at the present value of the estimated future cash flows.

### **Equity settled share based compensation**

The Company Employee Option Scheme allows staff, key partners and Directors to be granted options to acquire shares of the Company.

The fair value of options granted is recognised as an employee expense in the statement of comprehensive income with a corresponding increase in the share options reserve. The fair value is measured at grant date and spread over the vesting periods.

The fair value of the options granted is measured using the Black-Scholes valuation model, taking into account the terms and conditions upon which the options are granted. When options are exercised the amount in the share options reserve relating to those options, together with the exercise price paid by the employee, is transferred to share capital.

### **(r) Dividends**

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date

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

### **(s) Segment reporting**

An operating segment is a component of an entity that engages in business activities which earns revenue and incurs expenses and for which the chief operating decision maker (CODM) review the operating results on a regular basis and makes decisions on resource allocation. The company has determined its CODM to be the company's Board of Directors on the basis that it is this group that determines the allocation of resources to segments and assesses their performance.

The reportable operating segments of the company have been determined based on the components of the company that the CODM monitors in making decisions about operating matters. Such components have been identified on the basis of internal reports that the CODM reviews regularly in order to allocate resources and to assess the performance of the entity.

### **(t) Critical accounting estimates and assumptions**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. Critical accounting policies and estimates in the period include capitalisation of the costs relating to patents (refer note 9) and the expensing of research and development expenses (refer to accounting policy m.)

At balance date the Company has no other significant estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

### **(u) Standards, interpretations and amendments to published standards**

There are no new standards or amendments to standards which were mandatory and were applied during the period.

The following are standards, amendments and interpretations to existing standards applicable to the Group but are not yet effective and have not been adopted early by the Group:

#### **NZ IFRS 9: Financial Instruments (mandatory for periods beginning on or after 1 January 2013)**

The standard replaces part of NZ IAS 39 and establishes two primary measurement categories for financial assets: amortised cost and fair value, with classification depending on an entity's business model and the contractual cash flow characteristics of the financial asset. The Company is currently in the process of evaluating the potential effect of this standard.

#### **NZ IAS 24: Related Parties Revised (mandatory for periods beginning on or after 1 January 2011)**

The revised Standard further clarifies the definition of a related party which may result in other related parties being identified. The Company is currently in the process of evaluating the potential effect of this standard.

**Martin Aircraft Company Limited**  
**Notes to the Financial Statements**  
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### **3 Revenue and other income**

	2012	2011
	\$	\$
<b>Revenue from operations</b>		
Merchandise	1,278	5,042
Demonstrations	1,505	-
Sale of images	595	-
Sale of engine technology	-	126,338
	<u>3,378</u>	<u>131,380</u>
<b>Other income</b>		
Profit on sale of plant	-	1,328
Administration fee on refundable deposits	2,174	1,314
Google Adwords	2,495	-
Grants	-	234,163
Interest income	21,698	11,536
Unrealised foreign exchange gain (loss)	(1,162)	5,942
MOU fees	-	11,757
	<u>25,205</u>	<u>266,040</u>

### **4 Expenses**

	2012	2011
	\$	\$
<b>Loss before income tax includes the following specific expenses:</b>		
Defined contribution plan (Kiwisaver)	8,806	5,241
<b>Depreciation</b>		
Plant and equipment	12,821	12,845
<b>Amortisation</b>		
Patents	-	-
Software	9,841	11,370
Bad debts written off	-	-

Audit fees are detailed in Note 17

**Martin Aircraft Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2012**

**5 Cash and cash equivalents**

	2012	2011
	\$	\$
Cash at bank	<u>122,950</u>	<u>485,165</u>
	<u><b>122,950</b></u>	<u><b>485,165</b></u>

**6 Other receivables**

	2012	2011
	\$	\$
Other receivables	<u>35,782</u>	<u>36,459</u>
	<u><b>35,782</b></u>	<u><b>36,459</b></u>
Prepayments	<u>-</u>	<u>55,738</u>
	<u><b>-</b></u>	<u><b>55,738</b></u>

The prepayment in the prior year related to legal costs associated with a planned public offering. As the event did not take place they have now been expensed.

**7 Inventories**

	2012	2011
	\$	\$
Clothing for resale - at cost	<u>20,368</u>	<u>21,966</u>
	<u><b>20,368</b></u>	<u><b>21,966</b></u>

The company has not recognized a provision for stock obsolescence. No stock was written off during the year (2011:Nil)

**Martin Aircraft Company Limited**  
**Notes to the Financial Statements**  
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**8 Property, plant and equipment**

	Plant and Equipment \$
<b>Cost at 1 April 2010</b>	<b>117,739</b>
Additions	20,293
Disposals	<u>(1,288)</u>
<b>Cost at 31 March 2011</b>	<b>136,744</b>
Additions	2,510
Disposals	<u>-</u>
<b>Cost at 31 March 2012</b>	<b><u>139,254</u></b>
 <b>Accumulated depreciation at 1 April 2010</b>	 <b>72,507</b>
Depreciation	12,845
Depreciation recovered	<u>(547)</u>
<b>Accumulated depreciation at 31 March 2011</b>	<b>84,805</b>
Depreciation	12,821
Depreciation recovered	<u>-</u>
<b>Accumulated depreciation at 31 March 2012</b>	<b><u>97,626</u></b>
 <b>Net book value 31 March 2011</b>	 <b>51,939</b>
<b>Net book value 31 March 2012</b>	<b>41,628</b>

The company has no property.

**Martin Aircraft Company Limited**  
**Notes to the Financial Statements**  
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## 9 Intangible assets

	Software	Patents	Total
	\$	\$	\$
<b>Cost at 1 April 2010</b>	<b>71,452</b>	<b>202,778</b>	<b>274,230</b>
Additions	9,625	141,898	151,523
Disposals	-	-	-
<b>Cost at 31 March 2011</b>	<b>81,077</b>	<b>344,676</b>	<b>425,753</b>
Additions	-	63,191	63,191
Disposals	-	-	-
<b>Cost at 31 March 2012</b>	<b>81,077</b>	<b>407,867</b>	<b>488,944</b>
 <b>Accumulated amortisation and impairment at 1 April 2010</b>	 53,304	 -	 53,304
Amortisation	11,370	-	11,370
Impairment	-	-	-
Amortisation recovered	-	-	-
Impairment recovered	-	-	-
<b>Accumulated amortisation and impairment at 31 March 2011</b>	<b>64,674</b>	<b>-</b>	<b>64,674</b>
Amortisation	9,841	-	9,841
Impairment	-	-	-
Amortisation recovered	-	-	-
Impairment recovered	-	-	-
<b>Accumulated amortisation and impairment at 31 March 2012</b>	<b>74,515</b>	<b>-</b>	<b>74,515</b>
 <b>Net book value at 31 March 2011</b>	 16,403	 344,676	 361,079
<b>Net book value at 31 March 2012</b>	<b>6,562</b>	<b>407,867</b>	<b>414,429</b>

The patents have not been amortised as the technology associated with the patents is still under development. Patents will be amortised when the technology is commercialised.

**Martin Aircraft Company Limited**  
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## **10 Trade and other payables**

	2012	2011
	\$	\$
Trade payables	235,005	91,469
Employee entitlements	-	43,194
GST	(36,987)	(17,113)
Accrued expenses	48,223	66,606
Income in advance	1,918	4,888
	<u>248,159</u>	<u>189,044</u>

During the year ended 31 March 2012 the company took deposits for jetpack production positions amounting to \$24,227 (2011: \$236,608). These deposits are held in trust and are refundable on demand less an administration fee of \$500. The deposits secure a production number only and are not deposits for a Jetpack. Once the company is in production the deposits will be attributed to the sale of a Jetpack and a new contract entered into with the purchaser. All interest received on the trust account is income to the company.

## **11 Convertible Notes and Loans**

A loan amounting to \$600,000 was drawn in the year ended 31 March 2011. The lender is a related party of the company (Note 23). The terms of the loan are as follows:

The loan converted to preference shares when

further equity funding of \$2,000,000 was secured. This happened on 2 August 2012 and the loan was converted into 1,277,967 ordinary shares. Interest was not payable under the terms of the conversion, therefore the interest accrued in 2011 was reversed in the current period.

A further loan amounting to \$100,000 was drawn in the year ended 31 March 2012. The parties to the loan are related parties to the company (Note 23). The total facility was for \$200,000. The remainder of facility was drawn by 28 May 2012. The full amount of the loan including accrued interest at a rate of 15% p a was repaid on the 30 July 2012.

Martin Aircraft Company provided security over both of these loans by way of General Security Agreements and both of these have now been released.

**Martin Aircraft Company Limited**  
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## **12 Deferred Tax Assets and Liabilities**

Accumulated tax losses have not been recognised as a deferred tax asset as it is not yet probable that future taxable profit will be available against which the losses can be utilised. Total tax losses as at 31 March 2012



amounted to \$2,318,157 (2011 \$1,314,546). Research and development costs have been carried forward for tax purposes amounting to \$3,947,044 (2011: \$3,457,472).

### 13 Income taxation

	2012	2011
	\$	\$
<b><u>(i) Current taxation</u></b>		
Income tax payable	-	-
<b><u>(ii) Reconciliation of effective tax rate</u></b>		
Loss before income tax	(1,787,635)	(951,700)
Prima facie taxation @ 28% (2011: 30%)	(500,538)	(285,510)
Less taxation effect of permanent differences	48,643	19,110
	(451,895)	(266,400)
Deferred tax asset not recognised	451,895	266,400
<b>Tax Expense</b>	-	-
<b>Represented by:</b>		
Current tax	-	-
Deferred tax	-	-
<b>Income tax expense</b>	-	-
<b>Accumulated tax losses</b>		
Balance at beginning of period	1,314,546	968,781
Prior year adjustment	-	-
Tax loss for period	1,003,611	345,765
<b>Balance at end of period</b>	<b>2,318,157</b>	<b>1,314,546</b>

The tax losses are not shown in the balance sheet as it is not yet probable that Martin Aircraft Company Limited will earn sufficient future profits.

**Martin Aircraft Company Limited**  
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**(iii) Imputation credits**

**Balances**

Imputation credit account	5,459	1,676
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**Movements**

Tax payments net of refunds	1,341	3,783
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<b>Balance at end of year</b>	<b>6,800</b>	<b>5,459</b>
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## 14 Contributed equity

	2012	2011
	\$	\$
<b>Share capital</b>		
<b>Value:</b> Ordinary shares	7,379,335	6,206,761
Convertible preference shares	4,000,000	4,000,000
	<u>11,379,335</u>	<u>10,206,761</u>
 <b>Number:</b> Ordinary shares	 8,054,297	 7,525,820
Convertible preference shares	4,240,270	4,240,270
	<u>12,294,567</u>	<u>11,766,290</u>

**Ordinary Shares**

As at 31 March 2012 there were 8,031,588 shares issued and fully paid (2011: 7,513,320). All ordinary shares rank equally with one vote attached to each fully paid ordinary share. Ordinary shares do not have a par value.

Agreements for the issue of a further 22,709 ordinary shares were entered into prior to 31 March 2012 (2011: 12,500). The shares were issued on the 2 April 2012 after receipt of funds. The issue of these shares has been included in equity by way of other receivables.

**Convertible Preference Shares**

As at 31 March 2012 there were 4,240,270 convertible preference shares issued and fully paid (2011: 4,240,270). Convertible preference shares convert to ordinary shares at the option of the holder on the basis of one convertible preference share equals one ordinary share. They rank ahead of ordinary shares on liquidation of the Company and qualify for dividend income consistent with ordinary shares. Each convertible preference share entitles the holder to one vote. They do not have a par value.

**Share Issues**

There were 528,477 ordinary shares (2011: 264,400) and no convertible preference shares (2011: Nil) issued for the year ended 31 March 2012.

**Martin Aircraft Company Limited**  
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Capital Management

The company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that the company can achieve its objectives of developing an aviation prototype.

In order to maintain or adjust the capital structure the company has issued new shares and convertible notes. The company is not subject to externally imposed capital requirements. During the year the company did not breach any debt covenants.

## **15 Retained earnings**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Balance at 1 April 2011	(10,504,984)	(9,569,993)
Lapsed share options	16,709	16,709
Loss for the year	<u>(1,787,635)</u>	<u>(951,700)</u>
<b>Balance at 31 March 2012</b>	<b><u>(12,275,910)</u></b>	<b><u>(10,504,984)</u></b>

The company has invested heavily in research and development of the Martin Jetpack leading up to the commercialization of the product hence the accumulated losses.

**Martin Aircraft Company Limited**  
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## **16 Remuneration of auditors**

During the year the following fees were paid or payable for services provided by the auditor of the entity, its related practices and non-related audit firms:

	2012	2011
	\$	\$
PricewaterhouseCoopers		
Audit	14,000	9,450
Other services	-	-

## **17 Reconciliation of reported surplus after taxation with cash flows from operating activities**

	2012	2011
	\$	\$
<b>Reported net loss after taxation</b>	<b>(1,787,635)</b>	<b>(951,700)</b>
<b>Non cash items</b>		
Foreign exchange (gain)/loss	1,162	(5,942)
Amortisation	9,841	11,370
Depreciation	12,821	12,845
Profit/(Loss) on sale of plant	-	386
Interest Accrual	(21,465)	22,143
Share option reserve	100,222	163,488
	(1,685,054)	(747,410)
<b>Changes in working capital</b>		
Trade and other payables	(136,313)	(6,816)
Grant and other receivables	730	(69,246)
GST	19,874	29,830
Income tax refund	1,341	3,783
Stock on hand	(1,598)	387
Research and development tax credit due	-	-
	115,966	42,062
<b>Net cash flow from operating activities</b>	<b>(1,569,088)</b>	<b>(705,348)</b>

## **18 Financial Instruments**

### *Credit Risk*

Financial instruments which potentially subject the Company to credit risk, principally consists of bank balances of \$122,950 (2011: \$485,165). The Company monitors the credit quality of its major financial institutions that are counter parties to its financial statements and does not anticipate non-performance by the counterparties.

The Company has not provided any guarantees and has no securities registered against it.

### *Liquidity Risk*

Management and the board monitors monthly cash forecasts of the company's liquidity reserve on the basis of expected cashflow.

Currently term loans are held which are non current and convertible to equity upon the event of a public offering. Refer to note 11.

### *Sensitivity Analysis*

The Company has limited exposure to foreign exchange and interest rate fluctuations. If the interest rates were to alter by 1% upward or downward the effect would be immaterial to the financial statements. The interest rate on the convertible loans are fixed at 6% therefore will not be impacted by changes in market interest. The interest rate on the loan facility is fixed at 15% and will not be impacted by changes in market interest.

### *Concentrations of Credit Risk*

The Company does not have any significant concentrations of credit risk apart from its deposits with large and reputable banks.

### *Currency Risk*

The Company has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. Such activities are not of a material nature.

### *Cash Flow and Fair Value Interest Rate Risk*

During the initial phases of its business the Company is likely to have significant interest bearing deposits through which it will be exposed to interest rate risk in the normal course of business.

The Company's interest rate risk will arise through its exposure to funds on deposit. In future periods it is probable that interest rate risk will also arise through borrowings as the Company gears its operations. Any such borrowings raised at variable rates expose the Company to cash flow interest rate risk.

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise.

**Martin Aircraft Company Limited**  
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*Credit Facilities*

The Company has no credit facilities, other than trade creditors.

*Fair Values*

The estimated fair values of financial instruments do not differ from the carrying values.

*Financial Instruments by Category and Level of Fair Value Hierarchy*

The Company's financial instruments consist of cash and cash equivalents and other receivables which are all categorised as 'loans and receivables'. Trade and other payables are classified as liabilities at amortised cost. The fair value of these instruments is considered approximately equal to their carrying amount. The Company has no 'financial assets or liabilities at fair value through the profit and loss', no 'held to maturity investments' and no 'available for sale financial instruments'. Accordingly, information on the fair value hierarchy is not required.

## **19 Contingencies**

The grant funding agreement with FRST has a claw back provision with the effect that any funding paid to the Company may be required to be repaid if either, the operations of Martin Aircraft Co Ltd are moved offshore or if the majority of the shareholding in the company is sold to overseas persons within five years of the contract being entered in to with the Foundation being 27 November 2008. At the time of the preparation of these financial statements there is no indication that either event will occur.

At 31 March 2012 legal fees of \$39,830 had been accrued but not invoiced by external legal representatives. These costs relate to a forthcoming Initial Public Offering. An agreement is in place that these legal fees are only payable should this Initial Public Offering occur, as such these expenses have not been included in the results for 31 March 2012.

## **20 Company share options**

In 2008 the Board approved a Company Employee Option Scheme to issue options to selected staff, key partners and Directors. The term in which options may be exercised and ultimately lapse if not exercised varies from case to case depending on the terms of issue for each separate option. Each option entitles the holder to one ordinary share in the capital of the Company. The exercise price is determined by the Board as the fair value at the time of issue of the options. Payment must be made in full for all options exercised on the dates they are exercised.

There are no specific vesting conditions. Vesting periods range from zero to three years.

During the 2012 financial year the Company issued 80,000 additional options (2011: 220,000) to Directors, key partners or staff. The fair value of these options was estimated as \$50,232 (2011: \$181,336) under the Black Scholes valuation model using the following assumptions:

Risk free interest rate	4%
Expected dividend yield	0%
Expected life (years)	1-2 years (depending on exercise date)
2012 expected share volatility	50%
Prior year expected share volatility	50%
Weighted average share price	\$2.40

The expected share volatility of 50% has been used over the past 4 years and has been considered the most appropriate measure given the nature of the company.

The estimated fair value for each tranche of options issued is charged to profit/(loss) over the vesting period from now to three years from the grant date. The Company has recognised a compensatory expense in the statement of comprehensive income of \$100,222 (2011: \$163,488) which represents this share based payment expense

**Martin Aircraft Company Limited**  
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**Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:**

	<b>2012</b>		<b>2011</b>	
	<b>Average</b>	<b>Options</b>	<b>Average</b>	<b>Options</b>
	<b>exercise price</b>		<b>exercise price</b>	
	<b>\$ per share</b>		<b>\$ per share</b>	
Balance at beginning of year	1.29	1,171,370	1.03	996,370
Issued	2.40	80,000	2.40	220,000
Forfeited	-	-	-	-
Exercised	-	-	-	-
Lapsed	1.00	(45,000)	1.00	(45,000)
<b>Balance at end of year</b>	<b>1.37</b>	<b>1,206,370</b>	<b>1.29</b>	<b>1,171,370</b>

Of the 1,206,370 outstanding options 1,106,370 are currently exercisable (2011: 749,580)

**Share options outstanding at the end of the year have the following expiry dates, exercise dates and exercise prices:**

Expiry Month	Exercise Month	Exercise Price	<b>2012</b>	<b>2011</b>
			<b>No of shares</b>	<b>No of shares</b>
May 2013	May 2008	\$1.00	177,000	192,000
May 2013	May 2009	\$1.00	82,000	97,000
May 2013	May 2010	\$1.00	27,000	42,000
July 2013	July 2009	\$1.00	81,790	81,790
July 2013	July 2010	\$1.00	81,790	81,790
July 2013	July 2011	\$1.00	81,790	81,790
December 2013	December 2009	\$1.08	35,000	35,000
December 2013	December 2010	\$1.08	20,000	20,000
December 2013	December 2011	\$1.08	20,000	20,000
July 2012*	January 2010	\$1.08	100,000	100,000
January 2013	January 2011	\$1.08	100,000	100,000
July 2013	January 2012	\$1.08	100,000	100,000
December 2015	December 2011	\$2.40	90,000	90,000
December 2015	December 2012	\$2.40	90,000	90,000
January 2016	January 2012	\$2.40	20,000	20,000
January 2016	January 2013	\$2.40	20,000	20,000
November 2016	November 2012	\$2.40	40,000	-
November 2016	November 2013	\$2.40	40,000	-
			<b>1,206,370</b>	<b>1,171,370</b>

\* Subsequent to balance date R Lauder exercised these 100,000 options at the price of \$1.08 .



**Martin Aircraft Company Limited**  
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**Share Options Reserve**

	2012	2011
	\$	\$
Balance at beginning of year	499,382	352,603
Current year expense	100,222	163,488
Lapsed share options	<u>(16,709)</u>	<u>(16,709)</u>
<b>Balance at end of year</b>	<b><u>582,895</u></b>	<b><u>499,382</u></b>

## **21 Commitments**

The following details commitments associated with the Company.

**(a) Capital commitments**

There were no capital commitments (2011: Nil).

**(b) Lease commitments: Company as lessee**

	2012	2011
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	-	-
Later than one year but not later than five years	-	-
Later than five years	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>-</u></b>	<b><u>-</u></b>

The Company leases premises on a month to month basis. Operating leases held over properties give the Company the right to renew the lease subject to a redetermination of the lease rental by the lessor.

## **22 Related party transactions**

### **Directors of Martin Aircraft Company Limited**

The Company maintains an interest's register in which members of its Board record all parties and transactions in which they have, or may have a potential or actual self-interest.

#### *Transactions with Directors*

Consulting fees of \$84,000 (2011: \$Nil) were paid in respect of management and marketing consultancy services rendered to Nortek Management Services Limited of which P Norman is a director. At 31 March 2012 \$12,000 (2011: Nil) was owing to Nortek Management Services Limited for management and marketing consultancy services.

The following directors' fees were invoiced but unpaid to directors at 31 March 2012:

J Morel (Auriga Holdings Ltd)	\$5,000
D Hunter (Labaton Pty Ltd)	\$8,333
S Bayliss (Branded Culture Ltd)	\$5,000
D Chapman (DCH Holdings Ltd)	\$5,000

The holders of the convertible loan were No 8 Ventures Nominees Limited of which JA Morel is a director, and SPJ Matthews who is a shareholder in Martin Aircraft Company Limited.

The holders of the loan facility include No 8 Ventures Management Limited of which JA Morel is a director, D Chapman who is a director and A Lark (Director of No 8 Ventures Management Limited).

Key management personnel compensation of \$495,673 (2011: \$536,666). This includes Directors' fees of \$30,583 (2011: \$9,000), Directors' value of share options \$86,588 (2011: \$127,666), remuneration of key Martin Aircraft Company Limited management of \$377,245 (2011: \$400,000) and other short term benefits of \$1,257 (2011: Nil)

### **Directors' Other Interests**

As at 31 March 2012 the Directors of the Company held the following other Interests which are relevant to Martin Aircraft Company Limited:

#### *J A Morel*

- 
- No 8 Ventures Management Ltd
- No 8 Ventures Nominees Limited (which holds shares in Martin Aircraft Company Limited)

#### *D Hunter*

- Shareholder in Martin Aircraft Company Ltd
- Labaton Pty Ltd

#### *G N Martin*

- Shareholder in Martin Aircraft Company Ltd

#### *R J Lauder*

- Shareholder in Martin Aircraft Company Ltd
- Corporate Fitness NZ Ltd

#### *Dennis Chapman*

- DCH Holdings Ltd

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**US Company**

Martin Jetpack, USA Inc was incorporated in 2008 under US corporate law. The shares of Martin Jetpack, USA Inc have not yet been allocated, but will ultimately be held for the benefit of the shareholders in Martin Aircraft Company Ltd.

Consolidated financial statements have not been prepared on the basis that no transactions have ever occurred in this entity. The consolidated accounts would be the same as those presented.

**Sino New Zealand Special Aircraft Manufacture Company (SINSAM)**

In 2010 the company entered into a Joint Venture Agreement with The 27<sup>th</sup> Research Institute of China Electronic Technology Corporation for the establishment of a Joint Venture company to manufacture and sell jet packs in China, Hong Kong, and Macau. In January 2012 a business license was granted to the company called Haiying Sino-New Zealand Special Aircraft Manufacture Company Limited whose shareholders are The 27<sup>th</sup> Research Institute of China Electronic Technology Corporation and Martin Aircraft Company Limited. The company held its first board meeting in April 2012 and is currently a non-trading company.

## **23 Events occurring after balance sheet date**

499,809 shares at \$1.20 were issued to shareholders pursuant to a 2.1 offer to existing shareholders and 398,834 shares at \$2.40 as part of the pre IPO funding round were entered into post balance date up to the time of signing of these financial statements. Shares were issued on receipt of funds. In addition, shares were issued on the conversion of a loan (see Note 11) and shares were issued on the exercise of options (see Note 20).

## **24 Segment reporting**

The company has one operating segment, being research and development, and one geographical location, being Christchurch, New Zealand. The financial statements reflect the activities of this operating segment.