



Martin Aircraft Company Limited
Financial Statements
For the year ended 30 June 2015

Martin Aircraft Company Limited
Directory
30 June 2015

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Directors' Report

The Directors have pleasure in presenting the financial statements for the year ended 30 June 2015.

The principal activity of Martin Aircraft Company limited is the continuing development and commercialisation of the Martin Jetpack products.

The Director's report that the group's loss after tax for the year ended 30 June 2015 was NZ\$5.2 million.

No dividends or bonus issues were declared during the period.

Director movement for the year was as follows:

- Dennis Chapman resigned from the Board with effect 22 July 2014 and John Diddams joined the Board 22 July 2014 as Chairman of the Audit and Risk Committee with effect from 22 July 2014.
- David Hunter resigned from the Board with effect 14 August 2014 and Richard Lauder resigned from the Board with effect 9 October 2014.
- Peter Coker joined the Board as Managing Director with effect from 17 October 2014.
- Dr Ruopeng Liu and Dr Yangyang Zhang joined the Board with effect from 24 February 2015.
- Glenn Martin resigned from the Board with effect 2 June 2015.

The first part of the year consisted of continuing the pre-IPO fund raising which raised A\$6m and allowed us to start the process needed to deliver the path to a commercial Jetpack and to fund the IPO process. This was followed by a period focusing on capital raising and listing on the ASX with 244,294,108 shares on issue, of which 118,060,573 shares were placed in voluntary or compulsory escrow. The Company raised A\$27M equity at an offer price of A\$0.40 comprising A\$21M from KuangChi Science Limited (KCS) and A\$6M from both the general public and existing shareholders. The IPO offer was oversubscribed and closed on 13 February 2015. On 19 February 2015 the full subscription amount of A\$27M comprising 67,500,000 shares was allotted.

In addition 1,515,000 ordinary shares were allotted to Axstra Capital in payment for success fees for the IPO.

In accordance with the Constitution the Convertible Preference Shares (CPS) automatically converted to fully paid up ordinary shares with effect from the date of the offer close, being 13 February 2015. The Company now only has one class of shares being fully paid ordinary shares.

On 24 February 2015 the Company listed on the Australian Securities Exchange (ASX) under the ticker symbol ASX:MJP

All ordinary shares rank equally with one vote attached to each fully paid ordinary share. Ordinary shares do not have a par value.

The Company has increased its workforce to 43 as at 30 June 2015.

Martin Aircraft Company Limited
Company Report
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The technical roadmap to a commercial milestone continued to progress in accordance with the plan highlighted in the 3rd supplementary prospectus dated 14 January 2015 issued in connection with the IPO.

All amounts noted in the financial statements are in New Zealand dollars (unless stated otherwise).

Further detail in relation to technical and commercial progress will be included in the Annual Report to be distributed shortly.

For and on behalf of the Directors



J Mayson
Director

Date: 26 August 2015



J Diddams
Director

Date: 26 August 2015



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 ("the Company") on pages 5 to 30, which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the 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 and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

We are independent of the Company. Our firm carried out other services for the Company in the areas of Investigating Accountant and Tax services in relation to the Initial Public Offer. These services have not impaired our independence as auditors of the Company.



Independent Auditors' Report

Martin Aircraft Company Limited

Opinion

In our opinion, the financial statements on pages 5 to 30 present fairly, in all material respects, the financial position of the Company as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state 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 blue ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants
26 August 2015

Christchurch

Martin Aircraft Company Limited
Statement of Comprehensive Income
For the year ended 30 June 2015

	Notes	12 months to 30 June 2015	3 months to 30 June 2014
		\$	\$
Revenue		51,144	-
Expenses			
Research and development expense	4	(1,872,783)	(295,946)
Other expenses	4	(4,024,159)	(633,217)
Operating loss		(5,845,798)	(929,163)
Net finance income/(expense)	6	648,283	6,679
Loss before income tax		(5,197,515)	(922,484)
Income tax expense	7	-	-
Loss after income tax attributable to shareholders		(5,197,515)	(922,484)
Other comprehensive income		-	-
Total comprehensive loss attributable to shareholders		(5,197,515)	(922,484)
Earnings per share			
Basic	18	(\$0.02)	(\$0.06)
Diluted	18	(\$0.02)	(\$0.06)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Martin Aircraft Company Limited
Statement of Financial Position
As at 30 June 2015

	Notes	30 June 2015 \$	30 June 2014 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	11,571,319	701,618
Bank deposits	8	12,000,000	-
Receivables	9	659,210	57,500
Total current assets		24,230,529	759,118
Non current assets			
Property, plant and equipment	10	793,335	80,516
Intangible assets	11	3,608,838	363,086
Total non current assets		4,402,173	443,602
Total assets		28,632,702	1,202,720
LIABILITIES			
Current liabilities			
Trade and other payables	12	1,687,016	492,519
Total current liabilities		1,687,016	492,519
Non-current liabilities			
Non-current borrowings	13	1,136,765	-
Total non-current liabilities		1,136,765	-
Total liabilities		2,823,781	492,519
Net assets		25,808,921	710,201
EQUITY			
Share capital	15	48,002,102	17,851,839
Share option reserve	17	426,718	307,367
Retained earnings		(22,619,899)	(17,449,005)
Total equity		25,808,921	710,201

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Martin Aircraft Company Limited
Statement of Changes in Equity
For the year ended 30 June 2015

	Notes	Share capital \$	Retained earnings \$	Share options reserve \$	Total Equity \$
Balance as at 1 April 2014		17,474,088	(16,526,521)	289,602	1,237,169
Total comprehensive loss		-	(922,484)	-	(922,484)
Issue of share capital	15	377,751	-	-	377,751
Share option expense	17	-	-	17,765	17,765
Balance as at 30 June 2014		17,851,839	(17,449,005)	307,367	710,201
Total comprehensive loss		-	(5,197,515)	-	(5,197,515)
Issue of share capital	15	4,623,178	-	-	4,623,178
Issue of share capital at initial public offering (IPO)	15	28,004,511	-	-	28,004,511
Issue of share capital from exercise of share options	15	120,000	-	-	120,000
Issue of share capital from exercise of warrants	15	100,000	-	-	100,000
Increase in capital under share option schemes	15, 17	33,241	-	(33,241)	-
Increase in capital under warrant option	15, 17	51,938	-	(51,938)	-
Share option expense	17	-	-	231,151	231,151
Lapsed share options	17	-	26,621	(26,621)	-
Cost of capital raising	15	(2,782,605)	-	-	(2,782,605)
Balance as at 30 June 2015		48,002,102	(22,619,899)	426,718	25,808,921

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Martin Aircraft Company Limited
Statement of Cash Flows
For the year ended 30 June 2015

		12 months to 30 June 2015	3 months to 30 June 2014
		\$	\$
Cash flows from operating activities	Notes		
Receipts from customers		51,144	-
Interest received		152,676	6,680
Tax received/(paid)		(37,611)	(2,123)
Payments to suppliers and employees		(5,555,251)	(851,641)
Net cash outflow from operating activities	16	(5,389,042)	(847,084)
Cash flows from investing activities			
Purchase of property, plant and equipment		(660,472)	(20,645)
Purchase of intangibles		(2,615,784)	(11,827)
Transfer to bank deposits		(12,000,000)	-
Net cash outflow from investing activities		(15,276,256)	(32,472)
Cash flows from financing activities			
Loans		1,136,765	-
Issue of ordinary shares		30,065,083	398,351
Net cash inflow from financing activities		31,201,848	398,351
Net increase in cash and cash equivalents		10,536,550	(481,205)
Cash and cash equivalents, beginning of year		701,618	1,182,823
Foreign exchange gain on cash		333,151	-
Cash and cash equivalents, end of year	8	11,571,319	701,618

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 Reporting Entity

Martin Aircraft Company Limited (the Company) has developed an aviation prototype that is now being developed further as commercial products. The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 39 Ballarat Way, Wigram, Christchurch.

These financial statements have been approved for issue by the Board of Directors on 26 August 2015.

2 Summary of significant accounting policies

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.

(a) Basis of preparation

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), as appropriate for profit-oriented entities.

Entities reporting

The financial statements are for Martin Aircraft Company Limited as a separate legal entity. The Company is registered under the laws of New Zealand, company number 901393.

The Company is designated as profit-oriented entity. Martin Aircraft Company Limited is an issuer for the purposes of the Financial Reporting Act 2013 and is listed on the Australian Securities Exchange (ASX).

The financial statements are presented in New Zealand dollars.

Going concern

In the current financial year the Company has produced a loss of \$5,197,515 and net cash outflow from operations of \$5,389,042. At balance date the Company has net assets of \$25,808,921 and current assets exceed current liabilities by \$22,543,513. The Directors have adopted the going concern assumption in the preparation of the financial statements on the basis of the cash reserves available. This is assessed as sufficient to continue the development and commercialisation of the Martin Jetpack products for the 2016 year. As described in note 20 the Company has agreed to issue KCS with convertible notes with a face value of A\$23,020,000. This provides the Company with further liquidity if required.

Statutory base

Martin Aircraft Company Limited is a Company registered under the New Zealand Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the ASX Listing Rules.

Martin Aircraft Company Limited holds interests in the following entities:

Martin Jetpack USA Inc. – 100% owned by Martin Aircraft Company Limited.

Consolidated financial statements have not been prepared on the basis that no transactions have ever occurred within these entities. The consolidated financial statements would be the same as the Company financial statements presented.

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. 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 judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2(t).

2 Summary of significant accounting policies (continued)

Comparatives

As part of the IPO on the ASX in Australia the Company realigned its balance date from 31 March to 30 June in 2014 to match the normal reporting cycle of Australian listed companies. Due to the change in balance date the comparative figures are not directly comparable.

(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. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the company's activities.

Revenue is recognised as follows:

(i) Sales of goods

Sales of goods are recognised when the entity has delivered a product to the customer. The recorded revenue is the gross amount of sale, including any costs charged to the customer. Such costs 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 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.

(d) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset or liability is realised or settled.

2 Summary of significant accounting policies (continued)

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.

(e) Goods and services tax (GST)

The statement of comprehensive income 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). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

(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. 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 effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

2 Summary of significant accounting policies (continued)

(j) Financial assets

The Company classifies its financial assets 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.

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 cash and cash equivalents and 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.

(k) 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.

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 is as follows:

Motor Vehicles	10% - 30%
Plant, Property and equipment	10% - 67%

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.

(l) Intangible assets

(i) Research and development

Research expenditure is recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of an identifiable product are recognised as intangible assets if they meet the recognition criteria. For labour costs, we capitalise all R&D member's salary and we recognise administrative staff and director costs in the income statement instead of capitalising this portion of costs.

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.

(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 patent has been issued,

2 Summary of significant accounting policies (continued)

using the 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 programme are recognised as an expense when incurred.

(m) 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.

(n) Compound financial instruments

Compound financial instruments comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

(o) 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.

(p) 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 operates an equity settled, share based incentive plan, under which the Company issues share options to employees, directors and key partners as consideration as an incentive to remain with the Company. The fair value of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

The fair value is measured at grant date and spread over the vesting period.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest. Revisions to original estimates, if any, are recognised in the statement of comprehensive income, with a corresponding adjustment to equity.

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 Company issues new shares and the

2 Summary of significant accounting policies (continued)

amount in the share options reserve relating to those options, together with the exercise price paid by the employee, is transferred to share capital.

(q) 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.

(r) Subsidiaries and joint arrangements

The Company holds interests in entities which are and have been dormant from their inception (refer note 20). As there are no transactions or balances within these entities they have not been consolidated.

(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 2(l) and 11), capitalisation of the development asset (refer note 2(l) and 11), the expensing of research and development expenses (refer to accounting policy 2(l)) and the valuation of share options (refer note 17).

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 accounting standards or amendments to existing standards that have been adopted by the Company for the period ended 30 June 2015.

The following accounting standards and amendments to existing standards are not yet effective and have not been early adopted by the Company:

NZ IFRS 9 - Financial instruments (effective for annual periods beginning on or after 1 January 2018)

NZ IFRS 9, 'Financial instruments', was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities.

2 Summary of significant accounting policies (continued)

undertaken by companies when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. This standard is effective for reporting periods beginning on or after 1 January 2018. The Company is yet to assess NZ IFRS 9's full impact.

NZ IFRS 15 - Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2017)

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction contracts and is applicable to all entities with revenue. It sets out a 5 step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company has yet to assess NZ IFRS 15's full impact. The Company will apply this standard from 1 April 2017.

3 Segment reporting

The Company has one operating segment, being development and commercialisation of jetpack products, and one geographical location, being New Zealand. The financial statements reflect the activities of this operating segment.

4 Expenses

Material other expenses from the Statement of Comprehensive Income comprise:

	Notes	12 months to 30 June 2015	3 months to 30 June 2014
		\$	\$
Audit fees	5	50,600	15,322
Directors fees	20	182,309	40,750
Listing fees		426,302	-
Employee expense		1,791,729	289,051
Legal fees		173,257	74,656
Consultants		434,728	44,452
Marketing expenses		499,323	-
Operating lease expense		294,564	21,615
Depreciation	10	78,567	11,393
Loss on disposal of fixed assets	10	-	9,610
Amortisation of intangibles	11	62,799	5,387
Share option expense	17	231,151	17,765

Included in Employee expense is \$788,048 of salaries that have been capitalised as a development asset.

Martin Aircraft Company Limited
Notes to the Financial Statements
For the year ended 30 June 2015

5 Remuneration of auditors

During the report periods the following fees were paid or payable for services provided by the auditor of the Company:

	12 months to 30 June 2015 \$	3 months to 30 June 2014 \$
Audit of financial statements		
Audit and review of financial statements - PwC	50,600	15,322
Other services		
Performed by PwC		
Services in relation to Initial public offering and raising of additional capital	150,250	-
Tax compliance services	24,000	-
Total other services	174,250	-
Total fees paid to auditor	224,850	15,322

6 Net finance income/(expense)

	12 months to 30 June 2015 \$	3 months to 30 June 2014 \$
Interest income	319,004	6,680
Foreign exchange gain	329,280	-
Total finance income	648,284	6,680
Interest expense	(1)	(1)
Total finance costs	(1)	(1)
Total net finance income/(expense)	648,283	6,679

Martin Aircraft Company Limited
Notes to the Financial Statements
For the year ended 30 June 2015

7 Income taxation

	12 months to 30 June 2015	3 months to 30 June 2014
	\$	\$
(i) Current taxation		
Income tax payable/(refundable)	93,413	9,229
(ii) Reconciliation of effective tax rate		
Loss before income tax	(5,197,515)	(922,484)
Prima facie taxation @ 28% (2014: 28%)	(1,455,304)	(258,296)
Less taxation effect of:		
Permanent differences	189,517	20,303
Temporary differences	552,336	82,865
	<u>(713,451)</u>	<u>(155,128)</u>
Deferred tax asset not recognised	713,451	155,128
Tax Expense	<u>-</u>	<u>-</u>
Represented by:		
Current tax	-	-
Deferred tax	-	-
Income tax expense	<u>-</u>	<u>-</u>
Accumulated tax losses		
Balance at beginning of period	4,795,413	4,478,783
Adjustment Continuity Breach	(4,795,413)	(237,395)
Tax loss for period	2,548,039	554,025
Balance at end of period	<u>2,548,039</u>	<u>4,795,413</u>

Accumulated tax losses have not been recognised in the balance sheet as it is not expected that the requisite shareholder continuity for carry forward of tax losses will be maintained (note 14).

	30 June 2015	30 June 2014
	\$	\$
(iii) Imputation credits		
Balance at beginning of year	9,229	7,106
Movements		
Tax payments net of refunds	84,184	2,123
Balance at end of year	<u>93,413</u>	<u>9,229</u>

Martin Aircraft Company Limited
Notes to the Financial Statements
For the year ended 30 June 2015

8 Cash and bank deposits

	30 June 2015	30 June 2014
	\$	\$
Cash at bank	297,537	701,618
Deposits at call	11,273,782	-
Total cash and cash equivalents	11,571,319	701,618
Bank Deposits	12,000,000	-
Total cash at bank	23,571,319	701,618

Bank deposits are deposits held at the bank with a maturity between three and six months.

9 Receivables

	30 June 2015	30 June 2014
	\$	\$
Other receivables	76,585	-
Tax receivable	93,412	9,229
Accrued interest income	166,328	-
GST	322,885	48,271
Total receivables	659,210	57,500

10 Property, plant and equipment

	Motor Vehicles	Property, Plant and Equipment	Total
	\$	\$	\$
Cost at 1 April 2014	14,358	201,272	215,630
Additions	-	21,343	21,343
Disposals	-	(13,292)	(13,292)
Cost at 30 June 2014	14,358	209,323	223,681
Additions	43,078	748,308	791,386
Disposals	-	(4,324)	(4,324)
Cost at 30 June 2015	57,436	953,307	1,010,743
Accumulated depreciation at 1 April 2014	9,686	125,768	135,454
Depreciation	182	11,211	11,393
Disposals	-	(3,682)	(3,682)
Accumulated depreciation at 30 June 2014	9,868	133,297	143,165
Depreciation	1,760	76,807	78,567
Disposals	-	(4,324)	(4,324)
Accumulated depreciation at 30 June 2015	11,628	205,780	217,408
Net book value 30 June 2014	4,490	76,026	80,516
Net book value 30 June 2015	45,808	747,527	793,335

Disposals of fixed assets for the three months ended 30 June 2014 relates to leasehold improvements, due to a change in the company's premises.

Martin Aircraft Company Limited
Notes to the Financial Statements
For the year ended 30 June 2015

11 Intangible assets

	Software	Development Asset	Patents	Total
	\$	\$	\$	\$
Cost at 1 April 2014	111,287	-	353,086	464,373
Additions	234	-	4,517	4,751
Cost at 30 June 2014	111,521	-	357,603	469,124
Additions	276,628	2,864,676	167,247	3,308,551
Cost at 30 June 2015	388,149	2,864,676	524,850	3,777,675
Accumulated amortisation at 1 April 2014	90,681	-	9,970	100,651
Amortisation	2,836	-	2,551	5,387
Accumulated amortisation at 30 June 2014	93,517	-	12,521	106,038
Amortisation	46,944	-	15,855	62,799
Accumulated amortisation at 30 June 2015	140,461	-	28,376	168,837
Net book value at 30 June 2014	18,004	-	345,082	363,086
Net book value at 30 June 2015	247,688	2,864,676	496,474	3,608,838

Included in development asset cost capitalised during the year is \$788,048 of salary costs.

12 Trade and other payables

	30 June 2015 \$	30 June 2014 \$
Trade payables	777,058	162,967
Payables due to related parties (note 20)	27,857	33,750
Accrued expenses	764,595	255,464
Employee entitlements	117,506	38,420
Income in advance	-	1,918
Total trade and other payables	1,687,016	492,519

Martin Aircraft Company Limited
Notes to the Financial Statements
For the year ended 30 June 2015

13 Borrowings

	30 June 2015 \$	30 June 2014 \$
Non-Current borrowings	1,136,765	-
Total borrowings	1,136,765	-

In accordance with the Investment Agreement dated 19 December 2014 an A\$1.0 million interest free loan was advanced to the Company by KuangChi Science Limited on 31 December 2014. The repayment of the loan shall be made by way of offsetting the loan amount against the Convertible Bond subscription price payable by KuangChi Science Limited on subscription of the Convertible Bond.

14 Deferred tax assets and liabilities

Accumulated tax losses have not been recognised as a deferred tax asset as it is not expected that the requisite shareholder continuity for carry forward of tax losses will be maintained. Total tax losses as at 30 June 2015 amounted to \$2,548,039 (30 June 2014 \$4,795,413).

Research and development costs have been carried forward for tax purposes amounting to \$7,956,876 (30 June 2014 \$6,084,093).

Martin Aircraft Company Limited
Notes to the Financial Statements
For the year ended 30 June 2015

15 Share capital

	30 June 2015 \$	30 June 2014 \$
Ordinary Shares		
Value:		
Opening share capital	13,251,839	12,874,088
Shares issued:		
Issue of share capital	4,623,178	377,751
Issue of share capital at initial public offering (IPO)	28,004,511	-
Ordinary shares issued from Convertible Preference shares	4,600,000	-
Issue of share capital from exercise of share options	120,000	-
Issue of share capital from exercise of warrants	100,000	-
Increase in capital under share option schemes	33,241	-
Increase in capital under warrant option	51,938	-
Cost of capital raising	(2,782,605)	-
Closing share capital	48,002,102	13,251,839
Number:		
Opening number of shares on issue	10,681,211	10,555,286
Shares issued:		
Ordinary shares issued	13,609,918	125,925
Share split (10:1)	97,330,609	-
Ordinary shares issued at initial public offering (IPO)	67,500,000	-
Ordinary shares issued from Convertible Preference shares	55,172,370	-
Ordinary shares issued from exercise of share options	500,000	-
Ordinary shares issued under warrant option	500,000	-
Total number of shares on issue	245,294,108	10,681,211
Convertible Preference Shares		
Value:		
Opening Convertible Preference shares	4,600,000	4,600,000
Conversion of Convertible Preference shares to Ordinary shares	(4,600,000)	-
Closing Convertible Preference shares	\$ -	4,600,000
Number:		
Opening Convertible Preference shares	5,517,237	5,517,237
Share split (10:1)	49,655,133	-
Conversion of Convertible Preference shares to Ordinary shares	(55,172,370)	-
Closing Convertible Preference shares	-	5,517,237
Total Share Capital		
Value	\$48,002,102	\$17,851,839
Number	245,294,108	16,198,448

The increase in capital under the share option scheme and warrant option represent the value determined under the Black Scholes valuation method where options have been exercised during the year.

Ordinary Shares

There were new shares issued during the period, subsequent to the 10:1 share split in July 2014, at \$0.30 per share (3 months to June 2014: 125,925 shares). Note that after the 10:1 share split and before the IPO the price per share equates to approximately \$0.30.

15 Share capital (continued)

The Company raised \$28m (A\$27m) equity at an offer price per share of A\$0.40 comprising \$21.8m (A\$21m) from KuangChi Science Limited and \$6.2m (A\$6.0m) from both the general public and existing shareholders. The offer was oversubscribed and closed on 13 February 2015. On 19 February 2015 the full subscription amount of A\$27m comprising 67,500,000 ordinary shares were allotted.

In addition 1,515,000 ordinary shares were allotted to Axstra Capital in payment for success fees for the IPO.

In accordance with Constitution the Convertible Preference Shares (CPS) automatically converted to fully paid ordinary shares with effect from the date of the offer close, being 13 February 2015. The Company now only has one class of shares being fully paid ordinary shares.

On 24 February 2015 the Company listed on the Australian Securities Exchange (ASX) under the ticker Symbol ASX:MJP.

During the period 500,000 options and 500,000 warrants were exercised.

All ordinary shares rank equally with one vote attached to each fully paid ordinary share. Ordinary shares do not have a par value.

Convertible Preference Shares

There were no convertible preference shares issued during the period (3 months to 30 June 2014: Nil).

In accordance with Constitution the Convertible Preference Shares (CPS) automatically converted to fully paid ordinary shares with effect from the date of the offer close, being 13 February 2015.

Convertible preference share balance as at 30 June 2015: Nil.

Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that the Company can achieve its objectives of developing commercial Jetpack products. In order to maintain or adjust the capital structure the Company has issued new shares. Capital consists of share capital, other reserves and retained earnings. The Company is not subject to externally imposed capital requirements, however under the IPO Investment Agreement with KuangChi Science Limited (KCS) amongst other things KCS approval is required to issue new equity securities.

In accordance with the Investment Agreement between the Company and KCS, KCS will subscribe for a zero coupon bond of A\$23.02 million that is convertible into 57,550,000 new fully paid ordinary shares in the Company, (refer Note 20).

Also, on listing on 24 February 2015, 3,980,489 shares were placed in ASX compulsory escrow for 12 months, 67,389,024 shares were placed in ASX compulsory escrow for 24 months and 46,691,060 shares are held in voluntary escrow until December 2015, (refer Statutory Information).

Share buy-back

There is no current on-market share buy-back.

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For the year ended 30 June 2015

16 Reconciliation of reported loss after taxation with cash flows from operating activities

	12 months to 30 June 2015 \$	3 months to 30 June 2014 \$
Loss after income tax	(5,197,515)	(922,484)
Non cash items		
Depreciation	78,567	11,393
Loss on disposal of fixed assets	-	9,610
Amortisation of intangibles	62,799	5,387
Share option expense	231,151	17,765
Foreign exchange gain on monetary assets	(333,151)	-
Changes in working capital		
Increase/(decrease) in trade and other payables	318,217	41,300
Decrease/(increase) in trade and other receivables	(549,110)	(10,056)
Net cash flow from operating activities	(5,389,042)	(847,084)

17 Company share options and warrants

Share Options

In 2008 the Board approved a Company 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 on payment of the exercise price to one ordinary share in the capital of the Company. The exercise price is determined by the Board as the fair value of the Company's share price at the time of issue of the options. The term of the options is up to 5 years. Payment must be made in full for all options exercised on the dates they are exercised.

There are no specific vesting conditions. Vesting period is normally over three years.

At 30 June 2015 there are 4,066,670 options remaining to be exercised under this scheme.

In September 2014 the Board approved a new Company Option Scheme to issue options to selected executives and Directors. The term in which options may be exercised and ultimately lapse if not exercised are outlined in the Share Option Scheme Rules. Each option entitles the holder on payment of the exercise price to one ordinary share in the capital of the Company. The exercise price is determined by the Board as the fair value of the Company's share price at the time of issue of the options. The term of the options is 5 years. Payment must be made in full for all options exercised on the dates they are exercised.

There are no specific vesting conditions. The vesting period is over three years. If employment or directorship ceases the options automatically terminate unless the Board determines otherwise.

During the period to 30 June 2015 the Company issued 5,000,000 additional options (3 months to June 2014: nil) to selected Directors and staff with the exercise price at the IPO price of NZD \$0.43. The weighted average fair value of these options was estimated as \$0.11 (3 months to June 2014: nil) under the Black Scholes valuation model resulting in a charge to the Profit and Loss of \$231,151. The significant inputs into the model were a share price of \$0.43 at the grant date, exercise price \$0.43, volatility of 40%, no dividend, expected option life of 1-3 years and the risk free interest rate at the date of issue.

17 Company share options and warrants (continued)

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

Expiry Month	Exercise Month	Exercise Price	June 2015 No of shares	June 2014 No of shares
Dec 2015	Dec 2011	\$0.24	200,000	40,000
Dec 2015	Dec 2012	\$0.24	400,000	57,083
Jan 2016	Jan 2012	\$0.24	116,670	11,667
Jan 2016	Jan 2013	\$0.24	200,000	20,000
Nov 2016	Nov 2013	\$0.24	-	15,000
Jul 2017	Jul 2013	\$0.24	-	15,000
Jul 2017	Jul 2014	\$0.24	-	15,000
Jul 2017	Jul 2015	\$0.24	150,000	15,000
Apr 2018	Apr 2014	\$0.24	1,000,000	100,000
Apr 2018	Apr 2015	\$0.24	1,000,000	100,000
Apr 2018	Apr 2016	\$0.24	1,000,000	100,000
Sept 2019	Sept 2014	\$0.43	1,013,332	-
Sept 2019	Sept 2015	\$0.43	1,280,000	-
Sept 2019	Sept 2016	\$0.43	1,280,000	-
Sept 2019	Sept 2017	\$0.43	266,667	-
May 2020	May 2016	\$0.43	266,667	-
May 2020	May 2017	\$0.43	266,667	-
May 2020	May 2018	\$0.43	266,667	-
			8,706,670	488,750

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	June 2015		June 2014	
	Weighted average exercise price \$ per share	Options	Weighted average exercise price \$ per share	Options
Balance at beginning of year	\$ 2.40	488,750	\$ 2.40	488,750
Option 1 for 10 split	n/a	4,398,750		
Issued	\$ 0.43	5,000,000	n/a	-
Exercised	\$ 0.24	(500,000)	n/a	-
Lapsed	\$ 0.34	(680,830)	n/a	-
Balance at end of year	\$ 0.34	8,706,670	\$ 2.40	488,750

There are 8,706,670 options exercisable at 30 June 2015 (June 2014: 488,750).

17 Company share options and warrants (continued)

Warrants

The Company had a short term loan with related parties that was fully drawn and repaid during the 2013 calendar year. The holders of the loan facility included No 8 Ventures Management Limited of which J Morel is a director, D Chapman who was a director and A Lark (Director of No 8 Ventures Management Limited). A condition of the short term funding was the issue of 100,000 warrants exercisable within 36 months at the price of \$2 per ordinary share.

These warrants were held by No 8 Ventures Management Limited on behalf of the parties to the short term loan which enable No 8 Ventures Limited, the holder, to purchase up to 100,000 shares in the Company at a price of \$2.00 per share, later split on 10:1 basis to 1.0 million warrants.

During the 3 months to 30 June 14 no additional shares in the Company were issued with the exercise of warrants.

On 17 March 2015 the remaining balance of 500,000 warrants (after the 10:1 share split) were exercised at \$0.20 per share.

Warrants balance as at 30 June 2015: Nil.

18 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares are in the form of share options, warrants and convertible preference shares. As the Company made a loss during the current year and losses can't be diluted, basic and diluted earnings per share are the same.

	12 months to 30 June 2015	3 months to 30 June 2014
	\$	\$
Loss after income tax attributable to shareholders	(5,197,515)	(922,484)
Ordinary number of shares	245,294,108	16,198,448
Weighted Average number of shares on issue	214,455,637	16,156,678
Basic earnings/(loss) per share	(0.02)	(0.06)
Diluted earnings/(loss) per share	(0.02)	(0.06)

19 Financial Instruments

Credit Risk

Financial instruments which potentially subject the Company to credit risk, principally consists of bank balances, the maximum potential exposure to credit risk is \$23,571,319 (30 June 2014: \$701,618). 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. All financial institutions have a credit rating of AA-.

The Company has not provided any guarantees or collateral 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. Trade and other payables are the maximum potential credit exposure.

Concentrations of Credit Risk

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

Foreign Exchange Risk

The Company has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. Balance sheet foreign exchange risk arising from assets and liabilities held by the Company in foreign currencies. The company holds cash of NZD\$2,362,402 in HKD and NZD\$256,043 in AUD at 30 June 2015. If exchange rates were to alter by 10% upward or downward the effect would be an impact of \$264,489 to the statement of comprehensive income for the period. The company holds an AUD \$1,000,000 loan to KCS. If exchange rates were to alter by 10% upward or downward the effect would be an impact of \$114,926 to the statement of comprehensive income for the period.

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. The current impact of interest rate fluctuations are deemed immaterial.

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 accrued expenses 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.

Martin Aircraft Company Limited
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For the year ended 30 June 2015

20 Related party transactions

Key management and director compensation

Key management and director compensation for the years ended 30 June 2014 and 2015 is set out below. The key management personnel includes the Chief Executive Officer and those employees who report directly to the CEO.

	12 months to 30 June 2015	3 months to 30 June 2014
Salaries and other short term benefits paid	941,454	62,500
Directors' fees paid	182,309	40,750
Directors Due Diligence and IPO fees	300,860	-
Directors IPO share based payments	354,093	-
Share based payments	231,151	17,765
Consulting fees paid to G Martin	120,000	30,000
Total	2,129,867	151,015

The value of outstanding balances payable to key management at balance date total \$27,857 for director fees payable to Directors Dr Ruopeng Liu and Dr Yangyang Zhang.

KuangChi Science Limited Investment

On 19 December 2014 the Company and KuangChi Science Limited (KCS) entered into a conditional Investment Agreement for KCS along with its financial adviser REORIENT GROUP Limited, to acquire new and existing ordinary shares in the Company.

The Investment Agreement consisted of a series of transactions whereby KCS:

- Provide an interest free unsecured loan of \$1.14 million (A\$1.0m) (refer note 13);
- Acquire up to 15,000,000 new fully paid ordinary shares in the Company from certain shareholders at a price of A\$0.40 per share;
- Subscribe for 52,500,000 new fully paid ordinary shares under the IPO at an issue price of A\$0.40 per share, representing an investment of A\$21 million (refer note 15);
- Subscribe for a zero coupon bond of A\$23.02 million that is convertible into new fully paid ordinary shares in the Company;
- Establish a joint venture limited company in Hong Kong, owned 49% by the Company and 51% by KCS. KCS will have the right to sell its entire shareholding in the Hong Kong Joint Venture in exchange for new fully paid ordinary shares in the Company.

At the date of these financial statements all Investment Agreement conditions have been fulfilled and KCS had:

- Provided a \$1.14 million (A\$1.0m) interest free loan to the Company on 31 December 2014 (refer note 13);
- Acquired 14,950,000 fully paid ordinary shares in the Company from certain shareholders at a price of A\$0.40 per share;
- Subscribed, paid and had allotted 52,500,000 (40.8 million to KCS and 11.7 million REORIENT) new fully paid ordinary shares under the IPO at an issue price of A\$0.40 per share, representing an investment of A\$21 million (refer note 15).

Also, on 24 February 2015 KCS directors Dr Ruopeng Liu and Dr Yangyang Zhang were appointed directors of the Company.

Future Issue of Convertible Notes

In accordance with the terms of the Investment Agreement between the Company and KCS dated 19 December 2014, the Company has agreed to issue KCS with Convertible Notes with a total face value of A\$23,020,000 at the earlier of:

20 Related party transactions (continued)

- (a) at such time as the Company and KCS agree that the subscription proceeds for the Convertible Notes are needed for the Company's working capital requirements; or
- (b) at such time when the volume weighted average market price (VWAP) of the Shares reaches and remains at or above A\$1.20 for a period of 30 days or more (Accelerating Event); or
- (c) seven days prior to the date that is 30 months from the date on which the Company lists on ASX, which must be no later than 30 April 2015 (Listing Date).

As at the date of this Financial Report, the Company has not issued and KCS has not subscribed for any Convertible Notes. Also, notification that condition (b) above in relation to the Accelerating Event being satisfied was received on 8 April 2015.

Following their issue, the Convertible Notes will be convertible into such number of shares equal to the principal amount divided by the conversion price as determined in accordance with the terms of the Investment Agreement upon the earlier of an Accelerating Event or the date that is 30 months from the date of the Company's listing on ASX.

Joint Venture Company

Under the terms of the Investment Agreement, the Company and KCS agreed to establish a company, to be incorporated in Hong Kong, of which 49% of the issued share capital would be held by the Company and 51% held by KCS (HKCo). It is intended that HKCo will establish a wholly foreign owned enterprise in China which it is intended will undertake research and development and sales and distribution activities on behalf of the Company in China and Hong Kong, once the Martin Jetpack has been commercialised.

The HKCo joint venture was established on 22 July 2015 and is called KuangChi Martin Jetpack Limited.

In consideration for the benefits to the Company of HKCo, the Company has granted KCS an option to sell to the Company at any time over the 30 month period from the date of the Company's listing on ASX KCS' 51% interest in HKCo. In consideration for the sale of KCS' 51% interest, the Company must issue such number of ordinary shares in the Company determined by dividing A\$35,700,000 (the agreed consideration for KCS joint venture holding) by the swap share price as determined in accordance with the terms of the Investment Agreement. In accordance with the terms of the Investment Agreement and KCS has the right to sell its shares in HKCo in ten regular tranches, or it may sell all of its shares at one time.

Shareholder Approvals – IPO and KCS Investment

At the AGM held 12 February 2015 Shareholder approval was received to issue up to 67.5 million fully paid ordinary shares, at a price of AUD \$0.40 per share for the quotation and trading of ordinary shares on the ASX.

Approval was also received that, for all purposes including any requirements of Rule 7(d) of the Takeovers Code and listing rules 7.1, 10.1 and 10.11 of the listing rules of ASX Limited, the Company:

- (a) issue 40,813,636 ordinary shares of the Company to KCS at a price of A\$0.40 per share pursuant to the initial public offer;
- (b) issue 11,686,364 ordinary shares of the Company to REORIENT Group Limited at a price of A\$0.40 per share (paid by KCS) pursuant to the initial public offer;
- (c) issue a convertible bond to KCS in accordance with the terms of a convertible bond agreement to be entered into between KCS and the Company on the terms set out in Appendix 2 to the notice of special meeting dated 27 January 2015;

20 Related party transactions (continued)

- (d) on conversion of the convertible bond referred to in (c) above, issue such number of ordinary shares of the Company to the holder of the convertible bond as may be required by the terms of the convertible bond agreement; and
- (e) grant KCS an option to sell its entire shareholding in the Hong Kong joint venture (to be established by KCS and the Company) to the Company in accordance with the terms set out in Appendix 3 to the notice of special meeting dated 27 January 2015 and, on exercise of such option, issue such number of ordinary shares of the Company to the holder of the option as may be required by the terms of the option.

US Company

Martin Jetpack, USA Inc. was incorporated in 2008 under Delaware law. This company has not traded.

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.

21 Commitments and contingencies

The following details commitments associated with the Company.

(a) Capital commitments

There were no capital commitments at balance date (30 June 2014: Nil).

(b) Lease commitments: Company as lessee

The Company leases a premise at 39 Ballarat Way, Wigram, and Christchurch for an initial period to 15 September 2019, with a further right of renewal to 14 September 2022. The operating lease held over this property give the Company the right to renew the lease subject to a redetermination of the lease rental by the lessor. The lease expenditure charged to the income statement during the year is disclosed in note 4.

Also, with effect from 11 May 2015 the Company has entered into a sub- lease of office premises at 120 Wigram Road for an initial term of 2 years with a further right of renewal to 3 April 2020. There are no other leases held by the Company at balance date.

The future aggregate minimum lease payments under the non-cancellable operating leases are as follows:

	30 June 2015 \$	30 June 2014 \$
No later than 1 year	308,435	-
Later than 1 year and no later than 5 years	596,817	-
Later than 5 years	-	-
Total	905,252	-

(c) Contingent liabilities

The Directors are unaware of the existence of any claim or other contingencies that would have a material impact on the Company (30 June 2014: Nil).

22 Events occurring after balance sheet date

The HKE joint venture between the Company and KuangChi Science Limited was established on 22 July 2015 in accordance with the Investment Agreement. This included the payment of A\$2.0m to provide the initial seed capital for 49% of the company.

On 14 August 2015 KCS appointed Dr Lin Luan to the Board to replace Glenn Martin in accordance with the Investment Agreement.

Corporate Governance and Statutory Information

Corporate Governance Statement

Introduction

The Martin Aircraft Company Limited (**Company**) Board recognises the importance of high standards of corporate governance and its connection to maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining growth and success within the business.

The Directors of the Company are committed to fulfilling this role in accordance with best practice while observing applicable laws, the ASX Listing Rules, the Company's Constitution, and the Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" (3rd Edition) (**ASX Recommendations**).

This statement describes the Company's commitment to good corporate governance and addresses the Company's compliance with, and promotion of, the eight central principles of the ASX Recommendations.

Principle 1 – Lay Solid Foundations for Management and Oversight

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

The Board

The Board is the overall body responsible for decision making within the Company. The Board Charter describes the Board's role and responsibilities and regulates internal Board procedures. A copy of the Board Charter is available on the Company's website at <http://www.martinjetpack.com/investors/corporate-governance/governance-policies-practices>.

The Board directs and supervises the management of the business of the Company, including:

- (a) the composition of the Board itself, including the appointment and retirement of Directors;
- (b) appointment (and removal if necessary) of the Managing Director/Chief Executive Officer and ratifying the appointment or removal of the Chief Financial Officer/Company Secretary and Senior Executives (being those persons who report directly to the Managing Director/Chief Executive Officer);
- (c) appointment of the Chairperson of the Board and of the Company Secretary;
- (d) determining the conditions of service of the Managing Director/Chief Executive Officer and senior management and the performance monitoring procedures to apply to them;
- (e) in consultation with management, determining the Company's business strategy and key performance targets and then monitoring management's implementation of such strategy and achievement of such targets;
- (f) monitoring the Company's compliance with applicable laws, this Charter and generally accepted standards of corporate conduct and governance prevailing from time to time;

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- (g) reviewing and overseeing the operation and integrity of the Company's accounting and corporate reporting systems and systems of risk management and internal compliance and control, codes of ethics and conduct;
- (h) adopting the annual budget and monitoring the financial performance of the Company;
- (i) overseeing the Company's process for making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the prices or value of the Company's securities;
- (j) overseeing the Board Committees and the effectiveness of the Company's corporate governance practices;
- (k) ensuring there is timely and effective reporting to shareholders;
- (l) monitoring industry developments relevant to the Company's business;
- (m) ensuring that the Company has in place an appropriate risk management framework and setting the risk appetite within which the Board expects management to operate; and
- (n) approving and annual review of delegations of authority. In carrying out its duties, the Board will meet formally at least six times a year, with additional meetings held as required to address specific issues. Selected Directors also participate in meetings of the Audit and Risk Committee and the Remuneration and Nomination committee, which assist the Board in examining particular areas or issues.

Diversity and inclusiveness

The Company recognises that the sustained success of its business is reinforced by the capability and performance of its employees and its relationships with key partners, customers, suppliers and the communities in which the Company operates.

The Company believes that diversity and inclusivity in the workforce is a strategic asset to the Company. A balance of gender, age and background will enhance business performance and create opportunities to access the best people for our business.

Although the Company has yet to adopt a formal policy concerning diversity, the Board is committed to the establishment and maintenance of appropriate ethical standards in its recruitment practices, and is committed to recruiting individuals with the appropriate skills and qualifications required for the role. As the Company grows its workforce at the appropriate time the Board intends to implement a formal diversity policy in accordance with the ASX Recommendations and will at that point implement measurable objectives for achieving gender diversity.

Delegation

To promote efficiency, the Board may delegate management of the Company's resources to the executive team under the leadership of the Managing Director/Chief Executive Officer, in order to deliver strategic direction and achieve the goals set by the Board. Any powers not specifically reserved for the Board have been delegated to the executive team.

Role of the Company Secretary

The Company Secretary is appointed by the Board and is accountable directly to the Board, through the Chairperson, on all matters to do with the proper functioning of the Board. The Company Secretary facilitates the Company's corporate governance processes and holds the primary responsibility for ensuring that Board processes and procedures run efficiently and effectively.

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James West is the Company Secretary and also holds the position of Chief Financial Officer of the Company. Details of James West and his experience can be found on the Company's website at <http://www.martinjetpack.com/investors/corporate-governance/management-team>.

Performance management

The Remuneration and Nomination Committee has determined that a formal evaluation process for the Board, its committees and individual directors will occur in the calendar year to December 2015. The Remuneration and Nomination Committee determined that such a formal review process was not necessary at this stage of the Company's evolution for the period from listing in February 2015 to 30 June 2015.

The Remuneration and Nomination Committee periodically evaluates the performance of the Company's senior executives. The process for this evaluation is set out in the Remuneration and Nomination Committee Charter which is available on the Company's website at <http://www.martinjetpack.com/investors/corporate-governance/governance-policies-practices>.

For the reporting period ended 30 June 2015, a performance evaluation of executives was undertaken for the period prior to the Company's listing on ASX. Since the ASX listing the Board has approved the Business Plan for the reporting period 1 July 2015 to 30 June 2016 which includes key performance indicators and objectives for executives, against which the executives will be measured during the next financial reporting period in accordance with the Company's performance management system.

Principle 2 – Structure of the Board to add value

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Composition of the Board

At the date of this Annual Report the Board comprised the following seven Directors:

Name	Position	Date appointed to Board
Jon Mayson	Chairperson Independent, Non-executive Director	1 April 2014
Peter Coker	Chief Executive Officer and Managing Director	17 October 2014
Jenny Morel	Non-executive Director	20 August 2004
John Diddams	Independent, Non-executive Director	22 July 2014
Steve Bayliss	Independent, Non-executive Director	28 November 2012
Dr Liu Ruopeng	Non-executive Director	24 February 2015
Dr Zhang Yangyang	Non-executive Director	24 February 2015

Note: Glenn Martin retired from the Board as a non-executive director on 2 June 2015 (appointed 2 April 1998).

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The Board acknowledges that the current number of independent directors on the Board is below the majority that is recommended in the ASX Recommendations. Having regard to each Director's expertise and skills, and knowledge of the business, the Board believes that the current composition of the Board is the most appropriate to achieve the Company's objectives during its development phase, and that each Director will act independently in the best interests of the Company.

Selection and role of the Chairperson

The Chairperson of the Board is elected from the full Board and must be an independent director. The Board support the separation of the role of Chairperson and Chief Executive Officer. The Chairperson's role, amongst other things, is to lead the Board, facilitate the effective contribution of all Directors, and promote relations between both Directors and between the Board and senior management.

Jon Mayson has held the role of Chairperson throughout the financial year and at the date of this Annual Report is considered by the Board to be independent.

Board Committees

The Board has established two Committees to perform certain functions of the Board and to provide the Board with recommendations and advice: the Audit and Risk Committee and the Remuneration and Nomination Committee. The Charters of each Committee are available on the Company's website at <http://www.martinjetpack.com/investors/corporate-governance/governance-policies-practices>.

At the date of this Annual Report, the membership of each Committee is:

1. Audit and Risk Committee – John Diddams (Chair), Jon Mayson, and Jenny Morel. For more details on the Audit and Risk Committee see "Principle 4" below.
2. Remuneration and Nomination Committee – Steve Bayliss (Chair), Jenny Morel and Dr Liu Ruopeng.

Remuneration and Nomination Committee

The Board acknowledges that, at the date of this Annual Report, a majority of the members of the Remuneration and Nomination Committee are not independent directors contrary to the recommendation in the ASX Recommendations. On the basis that the Remuneration and Nomination Committee is chaired by an independent director, and that each member is a non-executive director, the Board believes that the current members of the committee (having regard to their experience and skills) are the most appropriate to achieve its objectives and that each member will bring independent judgement to the Remuneration and Nomination Committee's deliberations.

The Remuneration and Nomination Committee met formally five times in the year ended 30 June 2015. The individual attendances of the members at those meetings was as follows:

Name	Position	Number of meetings eligible to attend	Number of meetings attended
Steve Bayliss	Chair	5	5
Jenny Morel	Member	5	5
Glenn Martin	Member	5	5

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Note: Dr Liu Ruopeng was appointed by the Board as a member of the Remuneration and Nomination Committee on 11 August 2015 to replace Glenn Martin who resigned as a director of the Company on 2 June 2015.

Composition and membership of the Board of Directors

The Board has adopted a policy of ensuring that it is composed of Directors who have an appropriate mix of skills to provide the necessary depth of knowledge and experience to meet the Board's responsibilities and objectives. The Company has written agreements with each director (and senior executive) setting out the terms of their appointment.

The procedure for the selection and appointment of new directors and re-election of incumbent directors, and the Board's policy for the nomination and appointment of directors, is available on the Company's website in the Remuneration and Nomination Committee Charter.

When assisting the Board in reviewing potential candidates for Board appointment and assessing retiring Directors standing for re-election, the Remuneration and Nomination Committee considers a number of factors, including:

- skills, experience, expertise and person qualities and attributes that will best complement the skills set and characteristics of existing directors and enhance Board effectiveness;
- the diversity of Board composition;
- the capability of the candidate to devote the necessary time and commitment to the role; and
- potential conflicts of interest, and independence.

Notwithstanding the above, but subject to the Company's constitution and the ASX Listing Rules, under the terms of the Investment Agreement KuangChi Science Limited, has a right to appoint up to three directors.

Skills, experience and attributes

The Board recognises that having a diverse range of skills, backgrounds, and experience represented amongst its Directors is important to ensuring effective decision-making and the effective governance of the Company. The range of skills, backgrounds and experience currently represented on the Board includes experience in senior roles in aviation, shipping, trade, air, defense, technology, finance, marketing, retail, and research industries, as well as qualifications across a range of fields including finance, business management, accounting and humanities.

The Remuneration and Nomination Committee is responsible for making recommendations to the Board on the most appropriate Board size and composition. This includes making recommendations on the desirable competencies, experience and attributes of Board members.

Close attention is paid in setting criteria for new appointees to ensure that the Board has the appropriate mix of expertise and experience. New appointments to the Board to fill casual vacancies must stand for election at the next general meeting of shareholders. Existing directors, with the exception of the Managing Director/Chief Executive Officer, are required to seek re-election at least once every three years on a rotating basis.

The Company undertakes appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director.

Given the Company's position in its evolution, the Company has not yet introduced a specific program for inducting new directors, however the Company Secretary does spend time with any new director advising them of Board procedures and advising them of the Company's corporate governance policies and procedures. As the Company grows it will consider

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providing directors with appropriate professional development opportunities to allow directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Board meetings

The Board met formally 21 times during the financial year ended 30 June 2015. In addition there were separate meetings of the board committees. At each meeting the Board considers key financial and operational information as well as matters of strategic importance.

Name	Position	Number of meetings eligible to attend	Number of meetings attended
Jon Mayson	Chairman	21	20
Peter Coker	Chief Executive Officer and Managing Director	15	15
Jenny Morel	Non-executive director	21	20
John Diddams	Non-executive director	21	20
Steve Bayliss	Non-executive director	21	16
Dr Liu Ruopeng	Non-executive director	3	3
Dr Zhang Yanyang	Non-executive director	3	2

Note Dennis Chapman resigned as a non-executive director of the Company on 22 July 2014. Mr Chapman attended one out of two board meetings prior to his resignation.

David Hunter resigned as a non-executive director of the Company on 14 August 2014. Mr Hunter attended two out of three board meetings prior to his resignation.

Richard Lauder resigned as a non-executive director of the Company on 9 October 2014. Mr Lauder attended three out of four board meetings prior to his resignation.

Glenn Martin resigned as a non-executive director of the Company on 2 June 2015. Mr Martin attended 19 out of 20 board meetings prior to his resignation.

Executives may be invited to attend Board meetings and are also available to be contacted by Directors between meetings to enhance the working relationship between the Board and management.

Principle 3 – Act ethically and responsibly

A listed entity should act ethically and responsibly.

The Company is committed to complying with its legal obligations and acting ethically and responsibly. The Company expects that all directors, senior managers and employees will act in the best interests of the Company and to act honestly and fairly, acting only in ways that reflect well on the Company in strict compliance with all laws and regulations.

The Board has adopted a Code of Conduct (**Code**) that applies to Directors, senior managers and employees, which sets out standards and the Company's expectations required of them in performing their duties.

The Board has adopted a Securities Trading Policy that covers dealings in shares that are prohibited under the Australian *Corporations Act 2001*, and establishes procedures for Company personnel intending to deal in the Company's shares. Subject to certain exceptions, including severe financial hardship, the Securities Trading Policy defines certain "closed periods" during which trading in shares by the Company's personnel is prohibited. In all instances, buying or selling Company shares is not permitted at any time by any person who possesses information that may have a material effect on the price or value of the Company's securities in a manner contrary to the Australian *Corporations Act 2001*. The Policy has been communicated internally to ensure that it is strictly adhered to by the Board and the Company's employees. A copy of the Code of Conduct and the Securities Trading Policy is available on the Company's website at <http://www.martinjetpack.com/investors/corporate-governance/governance-policies-practices>.

Principle 4 – Safeguard integrity in corporate reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Financial Reports

As a New Zealand company, section 295A of the Australian Corporations Act is not applicable to the Company. However, prior to the approval by the Board of the Company's financial statements for a financial period, the Managing Director/Chief Executive Officer and Chief Financial Officer provide a written opinion to the Board that, in their opinion, the Company's financial reports comply with the appropriate accounting standards and give a true and fair view of the Company's financial position and performance and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Audit and Risk Committee

The Audit and Risk Committee oversees the integrity of the financial reporting process and oversees risk management within the business. The Audit and Risk Committee comprises a majority of independent directors as recommended by the ASX Recommendations. The Audit and Risk Committee met formally three times in the year ended 30 June 2015. The individual attendances of the members at those meetings are as follows:

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Name	Position	Number of meetings eligible to attend	Number of meetings attended
John Diddams	Chair	3	3
Jon Mayson	Member	1	1
Jenny Morel	Member	3	3

The role of the Audit and Risk Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting systems, the systems of internal control and risk management and internal and external audit functions. In fulfilling these roles, the Audit and Risk Committee is responsible for maintaining free and open communication between the Board, itself, management and auditors.

Principle 5 – Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

The Company has an obligation under the ASX Listing Rules to maintain an informed market with respect to its securities. As part of the Company's continuous disclosure obligations, the Company must immediately disclose to the market any information of which the Company becomes aware, concerning the Company, that a reasonable person would expect to have a material effect on the price or value of the Company's securities, unless the information falls within an exception available under the ASX Listing Rules.

The Board has adopted a Continuous Disclosure Policy that is available on the Company's website at <http://www.martinjetpack.com/investors/corporate-governance/governance-policies-practices>. The Policy has been communicated internally to ensure that it is strictly adhered to by the Board and the Company's employees.

Principle 6 – Respect the rights of security holders

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

The Company has a formal Shareholder Communications Policy to ensure that shareholders are provided with sufficient information to assess the performance of the Company and that they are informed of all major developments affecting the state of affairs of the Company relevant to shareholders in accordance with all applicable laws.. A copy of the Shareholder Communications Policy is available on the Company's website at <http://www.martinjetpack.com/investors/corporate-governance/governance-policies-practices>.

The Company keeps shareholders informed through:

- disclosure to the ASX;
- the annual meeting of shareholders;
- the annual report;
- the half-yearly report;
- periodic investor updates; and
- the “Investors” section on the Company’s website available at <http://www.martinjetpack.com/investors>.

The Company requests that its external auditor attends the annual general meeting and to be available to answer any shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Shareholders are able to elect to communications from, and have the option of sending communications to, the Company and its security registry by electronic means.

Principle 7 – Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

The Board has an Audit and Risk Committee that reports to the Board – see “Principle 4” above for further details in relation to the Audit and Risk Committee.

The Company is committed to the establishment and maintenance of a sound system of risk oversight, management and internal control. Throughout the year, the Directors regularly review and discuss the major risks affecting the business and developed strategies to mitigate these risks.

The Audit and Risk Committee reviews the Company’s risk management framework at least annually to satisfy it that the framework continues to be suitable. For the reporting period ended 30 June 2015, the Audit and Risk Committee has conducted a review and concluded that the Company’s risk management framework is appropriate.

The Board considers the recommendations of the external auditors and other external advisers and where it considers necessary, appropriate action is taken to ensure that an environment is in place that will see that key risks, as identified, are managed.

The Company does not have an internal audit function, but through the other audit and risk management steps in place the Board ensures the Company is reviewing, evaluating and continually improving the effectiveness of its risk management and internal control processes.

It is the Board’s view that the Company at this time does not have any material exposure to economic, environmental and social sustainability risks.

Principle 8 – Remunerate fairly and responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

One of the principal functions of the Remuneration and Nominations Committee is to oversee the remuneration strategies and policies of the Company. The Committee's Charter sets out the Board's policies and practices regarding the remuneration of non-executive directors, executive directors, and other senior executives. The Remuneration and Nomination Committee Charter is available on the Company's website at <http://www.martinjetpack.com/investors/corporate-governance/governance-policies-practices>.

The Board reviews the overall remuneration structure and policies and accepts recommendations from the Remuneration and Nomination Committee. In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the Board may seek the advice of external advisers in connection with the structure of remuneration packages.

The Directors, other than an executive Director, will be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time by the Company in general meeting. The current maximum aggregate sum per annum is NZ\$400,000. Any change to that maximum aggregate sum needs to be approved by shareholders. Under the Constitution, non-executive Directors may also be paid all travel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the Company's business.

In September 2014 the Board approved a new Company Option Scheme to issue options to selected executives and Directors. Directors in office at the time of the IPO received 360,000 options each in accordance with this scheme. Any future options or incentives offered to Directors will be subject to Board and/or shareholder approval as required.

Statutory Information

Principal activities

The principal activity of Martin Aircraft Company Limited is the development and commercialisation of Martin Jetpack products in accordance with the Prospectus.

ASX Listing

On 24 February 2015 the Company listed on the Australian Securities Exchange (ASX) under the ticker Symbol ASX:MJP. Also, shareholders approved on 30 September 2014 to revoke the existing Constitution and adopt a new Constitution on listing. Accordingly the new Constitution is effective from 24 February 2015.

Australian Corporations Act

The Company is incorporated in New Zealand and as such is not a disclosing entity for the purposes of Chapter 2M (Financial Reports and Audit) of the Corporations Act (section 285(2)). The Company complies with its New Zealand legal obligations and the ASX Listing Rules in preparing its annual financial statements.

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Disclosures

The Board has determined that the Company has used the cash and cash equivalents that it had at the date of its admission to ASX (23 February 2015) during the period from that date through to the year ended 30 June 2015 in a way consistent with the Prospectus and its business objectives for the year ended 30 June 2015.

Entities Recorded in the Interests Register

The Company maintains an Interest Register in accordance with the Companies Act 1993 and the Securities Market Act 1988. The following are particulars of entries made in the Interest Register for the period 1 July 2014 to 30 June 2015 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 Ltd)
- Auriga Holdings Limited

J Diddams

- Whitfield Investments Pty Ltd (which holds shares in Martin Aircraft Limited)
- Galdarn Pty Ltd (which holds shares in Martin Aircraft Limited)

G N Martin

- Shareholder in Martin Aircraft Company Ltd
- Glenn N Martin Limited
- resigned 2 June 2015

Dr Ruopeng Liu

- KuangChi Science Limited (which holds shares in Martin Aircraft Limited)

Dr Yangyang Zhang

- KuangChi Science Limited (which holds shares in Martin Aircraft Limited)

S Bayliss

- Branded Culture Limited
- Shareholder in Martin Aircraft Company Ltd

Shares held and Share Dealings of Directors

Directors disclosed pursuant to section 148 of the Companies Act 1993, the following acquisitions and disposals of relevant interest in the Company during the year ended 30 June 2015.

Directors Shareholdings

	Beneficial	Non beneficial	Share Options
Steve Bayliss	183,333		676,670
Peter Coker			3,000,000
John Diddams	1,450,000		360,000
Dr Ruopeng Liu		55,763,636	
Jon Mayson			360,000
Jenny Morel	231,481	46,891,060	560,000
Dr Yangyang Zhang		55,763,636	

Share Dealings

KuangChi Science Limited

Dr Ruopeng Liu and Dr Yangyang Zhang

Dr Liu and Dr Zhang are employed by and are beneficiaries of KuangChi Science Limited (KCS). As part of the IPO:

- KCS acquired 14,950,000 new fully paid ordinary shares in the Company from certain shareholders at a price of A\$0.40 per share. This included the acquisition of shares from related parties as follows:
- 3,752,311 shares from Glenn Martin
- 4,750,000 shares from No 8 Ventures Nominees Limited
- 268,519 shares from Jenny Morel
- KCS, subscribed, paid and had allotted 52,500,000 (40.8 million to KCS and 11.7 million REORIENT) new fully paid ordinary shares under the IPO at an issue price of A\$0.40 per share, representing an investment of A\$21 million.

Glenn Martin

Mr Martin in the period until his resignation effective 2 June 2015

- Sold 2,795,047 shares to certain shareholders prior to the registration of the prospectus including sale of 400,000 shares to Whitfield Investments of which John Diddams is a shareholder and director.
- Sold 3,752,311 shares to KuangChi Science Limited at A\$0.40 as part of pre-IPO purchase of existing share arrangements
- Post IPO sold 305,556 shares

Jenny Morel

- Sold 268,519 shares to KuangChi Science Limited at A\$0.40 as part of pre-IPO purchase of existing share arrangements

Jenny Morel is a director of No 8 Ventures Nominees Limited which holds shares on behalf of investors of venture capital funds. During the period to 30 June 2015 No 8 Ventures Nominees Limited:

- Sold 4,750,000 shares to shares to KuangChi Science Limited at A\$0.40 as part of pre-IPO purchase of existing share arrangements.
- Was issued 200,000 shares at \$0.24 post IPO via the exercise of options.

John Diddams

- John Diddams is a director and sole shareholder of Whitfield Investments Pty Limited and of Galdarn Pty Ltd.
- Prior to the registration of the prospectus Whitfield Investments acquired 400,000 shares from Glenn Martin and Galdarn Pty acquired 25,000 shares as part of the pre IPO capital raising.
- Pursuant to the arrangements between Axstra and John Diddams set out in section 12.2 of the Prospectus, Axstra directed the payment of a proportion of its success fees in cash and new shares to the related entities of John Diddams as follows:
 - Whitfield Investments Pty Ltd 725,000 shares
 - Galdarn Pty Ltd 125,000 shares
- Whitfield sold 150,000 shares in March 2015 and holds 1,300,000 as at 30 June 2015 of which 1,186,111 are held in escrow.
- Galdarn Pty holds 150,000 shares as at 30 June 2015 of which 125,000 shares are held in escrow.

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Remuneration of Directors

Transactions with Directors

The aggregate directors' fees per annum approved by shareholders are \$400,000.

Details of the total remuneration of, and the value of other benefits received by, each non-executive Director of the Company during the financial year ended 30 June 2015 are as follows:

Director Fees	Directors' Fees	Committee Fees	Total Fees
S Bayliss (Branded Culture Limited)	26,964	11,741	38,705
D Chapman (DCH Holdings Limited) resigned 22 July 2014	1,666		1,667
John Diddams (from 1 March 2015)	13,333	5,000	18,333
D Hunter (Labaton Pty Limited) resigned 14 August 2014	2,466		2,466
R Lauder (Corporate Fitness Limited) resigned 9 October 2014	5,000		5,000
Dr Ruopeng Liu (from 24 February 2015)	13,929		13,929
G Martin (refer Consultancy Fees below) resigned 3 June 2015			-
J Mayson	43,705	2,612	46,317
J Morel (No 8 Ventures Management Limited)	26,964	15,000	41,964
Dr Yangyang Zhang (from 24 February 2015)	13,929		13,929
Total	147,956	34,353	182,309

The following directors' fees disclosed above were unpaid to directors as at 30 June 2015:

Fees Outstanding as at 30 June 2015

Dr Ruopeng Liu	13,929
Dr Yangyang Zhang	13,929
	<u>27,857</u>

In addition the following directors received remuneration for services provided to the Company for the twelve months ended 30 June 2015:

Fees paid in addition to Directors' Fees

	Consultancy Services	Due Diligence Services	IPO Cash Capital Raising Fee	IPO Equity Raising Fee	Total
John Diddams		111,236	179,624	354,093	644,953
G Martin (refer Consultancy Fees below) resigned 2 June 2015	120,000				120,000
J Morel		10,000			10,000
Total	120,000	121,236	179,624	354,093	774,953

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Glenn Martin (Glenn N Martin Limited)

The Company had entered into a contract with Mr Martin to serve as a director and Company representative reporting to the Chairman. Mr Martin through his company Glenn N Martin Limited was paid \$10,000 (excluding GST) per month. Mr Martin resigned as a director on 2 June 2015. Mr Martin's contract for services expired on 6 August 2015.

John Diddams

The Company engaged Mr Diddams to manage the due diligence process associated with the IPO and to assist with provision of the Axstra Services in conjunction with Axstra (JD Services). Mr Diddams was paid a monthly retainer of A\$5,000 (excluding GST) plus a fee of A\$1,250 per day for additional services up until the completion of the IPO for the JD Services. Mr Diddams has been paid a success fee of \$30,000 (excluding GST) on completion of the IPO. As required under the Engagement Agreement the Company also reimbursed Mr Diddams for reasonable out of pocket expenses.

Axstra Capital separately engaged Mr Diddams to assist Axstra with provision of the Axstra capital raising services. Pursuant to the arrangements between Axstra and John Diddams set out in section 12.2 of the Company's original prospectus dated 27 October 2014 the Company understands that Mr Diddams and Axstra agreed to an equity success fee, payable by Axstra to Mr Diddams (or his nominee), equal to 50% of the Axstra Transaction Fees (including the proposed share allotment) under the Axstra Contract. Axstra was paid a success fee of A\$752,000 in total which was paid partially in cash and partly in new shares.

Axstra agreed to the issue of 665,000 shares to its related party Teldar Capital Pty Ltd in part satisfaction of its proportion of the success fee. The remaining balance of the success fee payable to Axstra was paid in cash. Pursuant to the arrangements between Axstra and Mr Diddams as set out above, Axstra directed the payment of the remaining proportion of its success fees in cash and new shares to related entities of Mr Diddams as follows:

- Whitfield Investments Pty Ltd 725,000 shares
- Galdarn Pty Ltd 125,000 shares
- The balance of the success fee payable of \$179,624 has been paid to Mr Diddams in cash.

All shares issued to Whitfield Investments, Galdarn and Teldar Capital pursuant to the success fee arrangement for the IPO are classified as restricted securities and are subject to an ASX escrow period of 24 months from the date of quotation of the shares on ASX 24 February 2014.

Also, Mr Diddams, as part of his mandate, was appointed as a non-executive director of the Company and as the chair of the Audit and Risk Committee and Due Diligence Committee. Mr Diddams was therefore also entitled to the same fees as any other Non-Executive Director of the Company, however he waived the payment of those fees until after the completion of the IPO. From the IPO on 24 February 2015 Mr Diddams has been paid director fees.

Employee Remuneration

The total number of employees of the Company receiving remuneration and benefits above \$100,000 in the year ended 30 June 2015 are set out in the table below:

Employee Remuneration	Number of Employees
\$	
\$120,000 - \$130,000	2
\$170,000 - \$180,000	1
\$340,000 - \$350,000	1

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Analysis of Shareholding at 31 July 2015

Holding Distribution

Range	Securities	%	No. of holders	%
100,001 and Over	228,434,633	92.98	101	4.82
10,001 to 100,000	11,045,272	4.50	344	16.40
5,001 to 10,000	3,028,690	1.23	440	20.98
1,001 to 5,000	2,953,393	1.20	864	41.20
1 to 1,000	232,120	0.09	348	16.60
Total	245,694,108	100.00	2,097	100.00

There are 172 shareholders holding less than a marketable parcel of the Company's shares (currently A\$500).

As disclosed in Note 17 of the Financial Statements, there were 8,706,670 options on issue to directors and employees as at 30 June 2015. The Company only has one class of shares on issue, ordinary shares, and these are listed on the ASX.

There are no other classes of equity security currently on issue. The Company's ordinary shares carry a right to vote on any resolution at a meeting of shareholders. Holders of ordinary shares may vote at a meeting in person, by proxy, representative or attorney. Voting may be conducted by voice, by show of hands, or poll. There are no voting rights attaching to options.

The total number of shares on issue at 30 June 2015 was 245,294, 108 and 31 July 2015 was 245,694,108.

Twenty Largest Shareholders at 31 July 2015

The names and holdings of the twenty largest registered shareholders in the Company as at 31 July 2015 were:

Rank	Name	31 Jul 2015	%IC
1	KUANGCHI SCIENCE LIMITED	55,763,636	22.70
2	NO 8 VENTURES NOMINEES LTD	46,891,060	19.09
3	GLENN NEIL MARTIN	38,353,086	15.61
4	MR STEPHEN PAUL JOHN MATTHEWS	13,234,522	5.39
5	BELL POTTER NOMINEES LTD	11,686,364	4.76
6	THE DAVID HUNTER SUPERANNUATION FUND	10,584,311	4.31
7	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	9,918,005	4.04
8	CITICORP NOMINEES PTY LIMITED	3,412,462	1.39
9	HAIYIN EQUITY INVESTMENT FUND LP	2,875,000	1.17
10	ZDENEK 1	2,683,340	1.09
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,101,649	0.86
12	MCCONNELL SUPERANNUATION PTY LTD	1,976,655	0.80
13	WHITFIELD INVESTMENTS PTY LTD	1,300,000	0.53
14	JOHN MCCONNELL	1,029,930	0.42
15	OSCAR TIME LIMITED	1,018,519	0.41
16	MR RALF THOMAS RODL	1,000,000	0.41
17	J READ BRANCH BRANCH FAMILY GST A/C	801,790	0.33
17	BRANCH INVESTMENT GROUP	801,790	0.33
18	ELBEE PTY LIMITED	785,669	0.32

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Rank	Name	31 Jul 2015	%IC
19	THE DAVID HUNTER SUPERANNUATION FUND	714,290	0.29
20	AMITY PACIFIC PTY LTD	700,000	0.28
20	KIERMI HOLDINGS LTD	700,000	0.28
	Total	208,332,078	84.79
	Balance of register	37,362,030	15.21
	Grand total	245,694,108	100.00

Substantial Shareholders as at 31 July 2015

Since the Company is not listed on the New Zealand Securities Exchange (NZX) there is no requirement under New Zealand law for substantial shareholders in the Company (being those shareholders holding voting interests in the Company of more than 5%) to disclose the details of those holdings to the Company. In turn, the Company is only required to disclose to the ASX any substantial shareholding notice that it receives under New Zealand law.

Notwithstanding the legal position, the Company notes that KuangChi Science Limited voluntarily provided a form of substantial shareholding notice to ASX on 25 February 2015 disclosing that KuangChi Science Limited and its associates (based on the definition in section 12(2)(a) of the Australian Corporations Act 2001 (Cth)) had voting power in the Company of 22.83% (based on its registered holding of 55,763,636 ordinary shares in the capital of the Company).

As at the date of this Annual Report no other substantial shareholding notices have been given to the Company.

Limitations on the Acquisition of Shares

The Company is not subject to the provisions of Chapters 6, 6A, 6B, and 6C of the Australian Corporations Act 2001 (Cth) dealing with the acquisitions of its shares (including provisions relating to substantial holdings in the Company and takeover offers for the Company). However the New Zealand position under the Takeovers Code is broadly comparable to the Australian position in relation to the regulation of substantial shareholdings and takeovers.

Limitations on the acquisition of the securities imposed by the jurisdiction in which the company is incorporated (New Zealand) are:

- (a) In general, securities in the company are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.
- (b) The New Zealand Takeovers Code creates a general rule under which the acquisition of 20% or more of the voting rights in the Company or the increase of an existing holding of 20% or more of the voting rights of the Company can only occur in certain permitted ways. These include the a full takeover in accordance with the Takeovers Code, a partial takeover in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90% or more of the shares in the Company.
- (c) The New Zealand Overseas Investment Act 2005 and Overseas Investment Regulations 2005 regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required where an overseas person already holds 25% or more, the acquisition increases that holding.
- (d) The New Zealand Commerce Act 1996 is likely to prevent a person from acquiring shares in the company if the acquisition would have, or would likely to have, the effect of substantially lessening competition in the market.

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Restricted Securities

In accordance with ASX requirements a summary of the shares on issue and escrowed shares subject to ASX trading restrictions from 24 February 2015 is as follows:

Fully paid ordinary shares (no ASX restriction)	126,233,535
Escrowed shares (12 month escrow – various release dates)	3,980,489
Escrowed shares (24 month escrow)	67,389,024
Voluntary escrowed shares (December 2015)	<u>46,691,060</u>
Total Shares on issue	244,294,108

In the period from the IPO on 24 February 2015 to year ended 30 June 2015, 640,070 securities had been released from the 12 month escrow.

Subsidiary Company Directors

Jon Mayson is the sole director of Martin Jetpack USA, Inc. a non trading Delaware Corporation in the United States.

Directors and Officers Insurance and Indemnity

The Company has arranged as provided under the Company's Constitution, directors and officers liability insurance which, with a Deed of Indemnity entered into with all directors and the Company Secretary, ensures that generally directors will incur no monetary loss as a result of actions undertaken by them as directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines which may be imposed in respect of breached of law.

Disciplinary Action Taken by the ASX

The ASX has not taken any disciplinary action against the Company during the financial year ended 30 June 2015.

Use of Company Information

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

Donations

The Company made no donations in the year ended 30 June 2015.

Credit Rating

The Company has no credit rating.

Annual Shareholders Meeting

The Annual General Meeting of shareholders will be held at Martin Aircraft's premises 39 Ballarat Way, Wigram, Christchurch on Thursday 29 October 2015 at 4.00 pm.

Company Name

Martin Aircraft Company Limited

Registered Office

39 Ballarat Way, Wigram

Christchurch 8042

New Zealand

Ph: +64 3 377 8584

Website: www.martinjetpack.com

Board of Directors

Jon Mayson - Chairman, Non-Executive Independent

Steve Bayliss - Non-Executive Independent

Peter Coker - Managing Director and Chief Executive Officer

John Diddams - Non-Executive Independent

Dr Ruopeng Liu - Non-Executive Non-Independent

Jenny Morel Non-Executive Non-Independent

Dr Yangyang Zhang Non-Executive Non-Independent

Company Secretary

James West

New Zealand Incorporation

The Company is registered under the laws of New Zealand, company number 901393.

Australian Registered Body Number (ARBN)

601 582 638

The Company's registered office address in Australia is:

Norton Rose Fulbright

Level 16

Grosvenor Place

225 George Street Sydney

NSW 2000

+61 2 9330 8000

Share Register

Link Market Services Limited

The Registrar

Locked Bag A14

Sydney South NSW 1235

Australia

ASX

The Company's ordinary shares are listed on the ASX under ASX code – ASX:MJP

Auditor

PricewaterhouseCoopers
5 Sir Gil Simpson Drive, PO Box 13244,
Christchurch, New Zealand

Legal Advisers

Bell Gully (New Zealand)
Norton Rose Fulbright (Australia)

Bankers

ASB
ANZ