Registered Number: 09109008

Strat Aero Plc

Annual Report and Financial Statements

For the year ended 31 December 2016

Strat Aero Plc

CONTENTS

CHAIRMAN'S STATEMENT

Looking back on 2016, it seems that the papers were peppered with news relating to 'drones', or as they are more widely referred to in the business, 'Unmanned Aerial Vehicles ("UAVs")'. Aside from the obvious military uses, UAVs are increasingly becoming part of our everyday lives, most famously illustrated by Amazon and the launch of its widely publicised 'Amazon Prime Air' service in December 2016. We note that most recently, UAVs have been used to deliver defibrillators to people suffering cardiac arrest – where every minute which passes between onset of attack and defibrillation reduces survival rates by 10%. The need for an immediate response therefore, which UAVs can provide, is clearly evident.

However, the uptake in UAV use has also created some unique challenges – for instance, in 2016 it was reported that there were over 70 near-misses between UAVs and passenger aircraft near Heathrow alone. These reports clearly highlight the critical requirement for more widely-adopted regulations, permitting, understanding and most significantly professional training when it comes to UAV usage, as it is a common belief that UAVs will increasingly become part of the fabric of day to day life across the globe.

So where does Strat Aero fit in to this mix? Between Amazon and recreational UAV users, there are a whole host of commercial applications for UAVs and this is the market we are targeting. We have a dual approach for maximising market penetration which is as follows:

1. **Training & Education**
   As UAV technology matures and devices become both more cost-effective and more capable, individual users and organisations are looking for training solutions that enable them to operate UAVs in a broad range of settings. Recognised by the UK's Civil Aviation Authority as a National Qualified Entity for UAV training design and delivery, we have developed a range of professional training solutions for both commercial and public-sector clients.

2. **Survey & Inspection**
   Strat Aero, through its wholly owned subsidiary Geocurve, is a specialist in providing survey and inspection services using UAVs, as well as using ground- and water-based survey equipment. Our goal is to deliver exactly the analysis that our clients require to maximise the productivity of their teams and minimise asset downtime.

Looking specifically at the progress made in the two areas highlighted above in 2016 and in recent months, the key development in the Training & Education business was the formal grant of National Qualified Entity ('NQE') status by the UK's Civil Aviation Authority ('CAA'). This was a pivotal development in the commercialisation of our training programmes as in order to apply for a UAV pilot's licence, individuals need to show that they trained at an NQE certified centre. We saw this recognition

of our services by the CAA as an endorsement of our training programmes and independent confirmation of the quality of our suite of commercial teaching courseware.

The grant of NQE status coincided with the launch of several new training initiatives including the Applied Unmanned Technology Qualification ('AUTQ'), a course for professional trainers and pilots. It is unique in its comprehensive focus on safety, industrial applications and real flying skills. Unlike many training organisations, Strat Aero flies its own commercial UAV fleet to deliver inspection and survey services to clients - which means that real-world learnings can be embedded directly into our training materials. The driving factor behind the development of Strat Aero's AUTQ programme has been the need for high level training for operators providing professional services to commercial clients. Strat Aero's training has an emphasis on hands-on flight training and a unique focus on training operators for their chosen commercial application.

Having already developed our proprietary commercial UAV training application, we are busy rolling-out our offering via a capital light strategy, centred on adopting a franchise model with suitable partners. We have now demonstrated the success of this model through our agreement with Hong Kong based I-Coach to roll-out our training programmes in Hong Kong, and the Taiwanese Republic of China. Our parallel agreement with the Lim Kok Wing University of Creative Technology is running slower than planned and we anticipate running the first "train the trainer" course in Kuala Lumpur in July 2017. Whilst disappointing, this delay is not expected to have an impact on full year 2017 projections.

Post period end, our first formal AUTQ course in Taiwan was successfully completed. The course ran for two weeks and was managed and taught by Mark Wharry, our Director of Training, who is a leading instructor in the UAV industry. In association with the Taiwanese Unmanned Aerial Systems Development Association, Mark successfully trained 24 candidates in a 'train the trainer' style course. These candidates have since graduated at a formal ceremony in Taipei, attended by many local businesses and government dignitaries. We are proud to be able to bring our skills and expertise to Taiwan, to work with the TWUAS Development Association and be at the forefront of creating a new and exciting industry in the country.

Looking now to our Survey & Inspection services offering, this is conducted through our subsidiary Geocurve. Growth on this side of the business continues to develop organically through existing contracts with major blue-chip companies and government agencies. The most significant recent contract win was the CH2M contract to work on the Thames 2100 Flood Defence Project on behalf of the Environment Agency. The contract was awarded in September 2016 after a rigorous competitive tender process and followed the successful completion of the Isle of Grain survey project where Geocurve combined multiple UAV flights, land-based surveys and bathymetric surveys to deliver a suite of video, orthomosaic photo, 3D model and survey products.

CHAIRMAN'S STATEMENT (continued)

This is an ambitious project to be involved with – and one with enormous benefits for a large number of people as Thames 2100 Flood Defence Project is aiming to reduce the risk of tidal flooding for 1.25 million people and £200 billion worth of property by replacing and refurbishing the tidal flood defences. TEAM2100 is an integrated and co-located team comprising the Environment Agency, global engineering company CH2M, and key supply chain partners and Strat Aero is delighted to be involved with such highly esteemed partners on this project.

Financial Overview

The Group recorded revenues of US$862,988 during the year ended 31 December 2016 (2015: US$433,001) generating a gross profit of US$593,079 (2015: US$345,747). This significant increase is primarily due to the full year impact of the acquisition of Geocurve. Costs in 2016 were inflated due to the one-off costs of US$ 314,567 arising from the legal action referred to below.

The loss for the year to 31 December 2016 after taxation was US$3,524,476 (2015: US$5,931,933).

Following the acquisition of Aero Kinetics in December 2015, the Company filed a legal action on 1 April 2016 in Texas, USA against Mr W. Hulsey Smith ("Mr. Smith"), the vendor of Aero Kinetics on counts of fraud and breach of contract arising from misrepresentations made by Mr. Smith upon which the Company relied and were material in the Company's decision to acquire Aero Kinetics. Strat Aero also terminated the services of Mr. Smith in relation to Aero Kinetics. On 6 April 2016, the Company and its directors received a defence and counterclaim from Mr. Smith. In September 2016, the Company settled all litigation and claims arising from its dispute with Mr. Smith. Under the terms of the settlement, Strat Aero disclaimed any allegations of fraud against Mr. Smith and issued Mr. Smith 44,750,645 new Ordinary Shares, representing at the time approximately 11.75% of the Company's enlarged issued share capital then in issue. Strat Aero also made a US$75,000 cash payment to Mr. Smith.

As a result of the settlement, both Strat Aero and Mr Smith are released from all current and future claims relating to the Company's acquisition of Aero Kinetics and all debt and loan obligations relating to the Company's acquisition of Aero Kinetics are deemed to have either been satisfied or written off. Both parties agreed to dismiss all pending litigation between them. A net gain of US$129,476 was realised in 2016 following the successful settlement of this litigation. The Board took the prudent action to fully impair the investment in Aero Kinetics as at 31 December 2015 which amounted to an impairment charge of US$2,028,235 during the prior year.

Administrative expenses during the year amounted to US$4,189,598 (2015: US$4,180,769). A large proportion of these costs comprised of wages and salaries, consultancy and professional fees, and

CHAIRMAN'S STATEMENT (continued)

travelling expenses and was attributable to both growth in headcount and business development activities arising from the prior acquisition strategy and also due to the one-off costs of the legal action referred to above. This cost base is being rationalised in line with the new management's strategic priorities and administrative costs for 2017 are expected to be significantly lower than this.

Consolidated net (liabilities)/assets at 31 December 2016 amounted to US$(43,517) (2015: net assets of US$721,546). Cash balances at the year end amounted to US$3,918 (2015: US$1,485,257).

During 2016, the Company attracted aggregate investment of US$2.89 million to implement the Group's operational plans, to settle the final deferred consideration for Geocurve and resolve the Aero Kinetics litigation.

Post year end the Company raised an additional US$1.58 million pre-expenses, through the issue of new shares to investors.

Outlook

The Strat Aero board is keen to draw a line under the performance of the previous two financial years, where, for a number of reasons which have been outlined previously, operational and financial performance was disappointing. We have set ourselves an ambitious target to achieve run rate breakeven by the end of 2017 and therefore it is with careful optimism that we look to build on the encouraging trading outcomes that we have achieved so far in 2017 and advance the robust structure that we now have in place to prudently, efficiently and sustainably grow the Company. We plan to utilise our existing skills and expertise to develop the Strat Aero business as a premium provider of commercial training for commercial UAV pilots and survey and inspection services for corporate and public clients.

Whichever way you look at it – UAVs are likely to become an even more integral part of our lives – and we are determined that Strat Aero will be a significant component in this rapidly growing industry.

Acknowledgments

On behalf of the Board, we would like to extend our thanks to our business partners, customers, associates and valued shareholders for their continued support throughout the period.

Graham Peck
Executive Chairman

26 June 2017

STRATEGIC REPORT

The Directors present their Strategic Report on the Group for the year ended 31 December 2016.

Principal activities and business review

The Group provides international aerospace services and solutions focussed primarily on training & education, survey & inspections, security, consultancy and data management & analytics.

The year under review represents the third year of trading for the Group. During 2016 the Group completed its acquisition of Geocurve, entered and subsequently settled mutual legal disputes with the former owners of Aero Kinetics and ultimately established a revised strategy moving away from growth via acquisition to growth via existing business development. The Group's focus is now centred on growing the Geocurve business, developing the commercial UAV pilot training offerings and developing UAV consulting solutions. This will provide the foundation for subsequent years, the details of which are outlined in the Chairman's Statement.

Financial review

The Group recorded revenues of US$862,988 (31 December 2015: US$433,001) generating a gross profit of US$593,079 (31 December 2015: US$345,747). The loss for the year to 31 December 2016, the third year of trading, after taxation was US$3,524,476 (31 December 2015: US$5,931,933). The loss per share was 1.38 cents per share. The loss for 31 December 2015 includes a US$2,028,235 impairment of goodwill arising on acquisition of the Aero Kinetics business -see note 13 for more information.

Revenues for the year US$ 862,988 were derived primarily from the consultancy services division (31 December 2015: US$433,001). Administrative expenses amounted to US$4,189,598 (31 December 2015: US$4,180,769), a large portion of these costs comprised of wages and salaries, consultancy and professional fees and travelling expenses.

Consolidated net (liabilities)/assets at 31 December 2016 amounted to (US$43,517) (31 December 2015: net assets of US$721,546). Cash balances at the year-end amounted to US$3,918 (31 December 2015: US$1,485,257).

Following the year end, the Group has secured additional finance to facilitate its development; see Chairman's Statement for more details. Further details can also be found in Note 28 of the Financial Statements.

Key performance indicators

	Year ended 31 December 2016 US$	**Period ended 31 December 2015 US$**
Revenue	**862,988**	433,001
Gross profit	**593,079**	345,747
Gross margin	**68.7%**	79.8%
Administrative expenses	**4,189,598**	4,180,769
Loss after tax for the year	**3,524,476**	5,931,933
Earnings per share (cents)	**(1.38)**	(6.31)
Net (liabilities)/assets	**(43,517)**	721,546
Cash and cash equivalents	**3,918**	1,485,257

STRATEGIC REPORT (continued)

Current trading and future developments

The Group continues to make progress across all elements of its business with new commercial opportunities opening up both domestically and internationally. Revenues during the year have taken longer to develop than anticipated. These developments are described more fully in the Chairman's Statement.

Principal risks and uncertainties

Political and country risk – EU Referendum

The Company is listed in the United Kingdom (UK) whilst the Group operates both in the UK and European Union (EU). As a result of the Referendum, the Group maybe subject to the impact of the UK leaving the European Union. Given the recent uncertainty surrounding the situation the Group are monitoring matters and seeking advice as to how to mitigate any risks arising.

Early stage of operations

Whilst the Group is generating revenue which continues to grow , it still remains in an early stage of development. There are a number of operational, strategic and financial risks associated with such early stage companies.

In particular, the Group's future growth and prospects will depend on its ability to develop products and services for applications which have sufficient commercial appeal, to manage growth and to continue to develop operational, financial and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. The Group has focused its resources on development of its products and has a dedicated team in this respect and has developed operational, financial and management information and quality control systems in line with the Group's planned growth.

Dependence on key contracts, customers & programme delays

Going forward, it is likely that the Group will be dependent on a relatively small number of contracts at any given time and the majority of the Group's revenue in any year may be derived from a relatively small number of customers. The loss, or failure to develop where relevant, of any one of these customer contracts may have a material and adverse impact on the revenues, profitability and overall financial position of the Group in the event the Group was not able to replace them with additional or alternative customers.

In addition, any or all of these contracts could be delayed or cancelled. Any such delays or cancellations could materially and adversely affect the Group's financial performance and the growth of its business.

Strat Aero maintains strong relationships with its core group of customers and monitors the financial conditions closely and concentrates on widening its customer base in order to increase the likelihood of repeat business and reduce its dependence on a small number of large customers.

Governmental

The Group deals with governmental agencies, and as such is exposed to the risks inherent in government contracting. The Group expects to be dependent, directly or indirectly, upon contracts with governmental agencies and their contractors for a portion of its revenue that could be material to its business.

STRATEGIC REPORT (continued)

The Group continues to monitor this situation and actively seeks to expand and broaden its revenue and related customer base so as to reduce over dependence on any single governmental agency contract.

Intellectual property

The Group's success will depend in part on its ability to maintain adequate protection of its intellectual property covering its processes and applications. The intellectual property on which the Group's business is based is proprietary know-how.

If the Group fails to enforce its intellectual property rights, or there is any unauthorised use or significant impairment of the Group's intellectual property rights, the value of its products and services could be diminished, the Group's competitive position would be adversely affected and its business may suffer.

The Group continues to protect its intellectual property vigilantly.

Research and development

The Group is involved in complex technological areas and new product development. There is no guarantee that the Group will be successful in its research and product development. Some of the Group's technology and intellectual property portfolio is at an early stage of commercial development. The Group may not be able to develop and exploit its technology sufficiently to enable it to develop commercial and marketable products. Furthermore, the Group may not be able to develop new applications or identify additional specific market needs that can be addressed by the Group's technology.

The Group employs a dedicated team of people in research and development to exploit this area and minimise the inherent risk associated with it.

Competition and competing technology

There is a risk that technological advances in competing technology and/or the lower cost of such technology may impede the commercial exploitation of the Group's technology. This would have a significant adverse effect on the Group's business. The Group faces potential and substantial competition from a wide variety of firms, including large, multinational vehicle, defence and aerospace firms that could harm its ability to win business and increase the price pressure on its products. The Group's potential competitors have substantially larger financial resources and could compete more effectively than Strat Aero.

Continued product development

The Group is expected to be subject to substantial competitive product innovation and therefore needs to continue to invest significant resources in research and development in order to develop and enhance the Group's existing products and services and introduce new high quality products and services to achieve and maintain competitiveness.

Competitors may independently attempt to develop similar training methods associated with Strat Aero. Commercial success depends significantly on the Group's ability to establish and maintain a competitive position in this field by offering well-established and unique training services to its clients.

The Group employs a dedicated team of people in research and product development to ensure that its customers have a high quality experience with the Group's products and services and to refine them where necessary in order to adapt to changing technologies to mitigate against this potential risk.

STRATEGIC REPORT (continued)

Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Credit risk

Credit risk arises from outstanding receivables. Management does not expect any losses from non-performance of these receivables.

Liquidity risk

In keeping with similar sized companies, the Group's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital. The Directors are confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's and Company's ability to continue as a going concern, in order to enable the Group and Company to continue its activities and bring its products to market. The Company defines capital based on the total equity of the Company. The Company monitors its level of cash resources available against future planned activities and may issue new shares in order to raise further funds from time to time.

This Strategic Report was approved by the Board of Directors and authorised for issue on June 2017 by:

Graham Peck
Executive Chairman

26 June 2017

DIRECTORS' REPORT

The Directors present their Report together with the audited Financial Statements for the year ended 31 December 2016.

General information

The principal activity of Strat Aero plc (the "Company") and its subsidiaries (together the "Group") is the development, marketing and selling of UAV based services and solutions to its chosen areas of focus. These are training & education, survey & inspections, security, consultancy and data management & analytics.

Dividends

The Directors do not recommend payment of a dividend (31 December 2015: nil).

Directors' indemnities

The Group has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Directors' interests

The Directors who held office in the year up to the date of approval of these Financial Statements and their beneficial interests in the Company's issued share capital at the beginning and end of the accounting year were:

	Ordinary Shares Interest at 31 December 2016 No.	Ordinary Shares Interest at 31 December 2015 No.	**Warrants Interest at 31 December 2016 No.**	Warrants Interest at 31 December 2015 No.
Graham Peck [1]	6,669,551	6,669,551	-	799,955
Iain McLure [2]	-	-	-	-
Tony Dunleavy [3]	1,000,000	2,530,000	-	1,000,000
Gerard Dempsey [4]	560,000	560,000	-	400,000
Paul Ryan [5]	400,000	400,000	-	400,000

1. Includes 1,000,000 shares held by the wife of Graham Peck.
2. Appointed on 1 April 2016.
3. Appointed on 24 September 2015 and resigned on 1 April 2016.
4. Appointed on 14 September 2015.
5. Appointed on 1 September 2015.

DIRECTORS' REPORT (continued)

Capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 19. Since 31 December 2016 the Company has raised additional capital as set out below. Further information is set out in note 28 to the Financial Statements.

The holders of Ordinary Shares are entitled to receive notice of, and to attend and vote at, any General Meeting of the Company. Every member present at such a meeting shall, upon a show of hands, have one vote. Upon a poll, holders of all shares shall have one vote for every share held. All Ordinary Shares are entitled to participate in any distributions of the Company's profits or assets. There are no restrictions on the transfer of the Company's Ordinary Shares. Strat Aero Plc's ordinary 0.1p shares are traded solely on the AIM market.

The Company also has Deferred Shares in issue, the holders of which are not entitled to vote at General Meetings and have no entitlement to distributions.

Going concern

The Financial Statements have been prepared assuming the Group and Company will continue as a going concern. This assessment has been made based on the Group's economic prospects in the financial forecasts. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all available information for the foreseeable future; in particular for the twelve months from the date of approval of the Financial Statements. This included the nature of the business in which Strat Aero Plc operates, the expected contracts to be awarded, the expectation that if required, cost cutting measures can be implemented and if required funds can be raised on the open market.

The operational requirements of the Group comprise of maintaining a Head Office in the UK alongside its UK operations together with running its US operations from its US subsidiary. The Directors have reviewed the Group's working capital forecasts. They believe that the funds raised recently, including new equity funds of £1,580,000 in aggregate raised between the Statement of Financial Position date and the date of approval of these Financial Statements, taken in conjunction with the current level of cash balances and expected revenues, will be sufficient for the operational requirements of the Group for a period of at least 12 months from the date of approval of the financial statements.

However, if the Group's revenues fall short of expectations then the Group will put in place cost cutting measures, including deferral of executive management's salaries, or will seek to raise the appropriate funds to meet its working capital requirements.

As disclosed in Note 2(b), after making enquiries, the Directors have a reasonable expectation that the Group will have adequate resources through its cash balances to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements. It should be noted, however, that the auditors have drawn attention to going concern within their audit report by way of an emphasis of matter.

Matters covered in the Strategic Report

The Business Review, results, review of KPIs and details of future developments are included in the Strategic Report and Chairman's Statement.

INDEPENDENT AUDITOR'S REPORT (continued)

Events after the reporting year

On 31 January 2017 the Company issued 380,000,000 new ordinary shares of 0.1p each at a price of 0.1p per share raising £380,000. On the same date the Company issued 418,000,000 warrants exercisable for two years from the date of grant at an exercise price of 0.225p.

On 21 February 2017, following approval from shareholders at a general meeting of the Company, the Company issued the 850,000,000 new ordinary shares of 0.1p each at a price of 0.1p per share raising £850,000 in connection with a placing announced on 14 February 2017. In addition, certain directors and a director of a subsidiary company agreed to subscribe for 250,000,000 Ordinary Shares at the Placing Price in settlement of outstanding compensation and expenses accrued since 2015 in the sum of £250,000. On the same date the Company issued 1,170,000,000 warrants exercisable for two years from the date of grant at an exercise price of 0.225p in conjunction with the two placings.

On the same date a further 50,000,000 new ordinary shares of 0.1p each at a price of 0.1p per share were issued to certain professional advisors and service providers of Strat Aero in satisfaction of fees outstanding in the amount of £50,000.

On March 1 2017 50,000,000 new ordinary shares in the Company at a price of 0.1p per ordinary share was issued to Farina Investments (UK) Ltd in exchange for agreeing new favourable loan terms; being a lower interest rate, an extension of the facility to 1 March 2018 and in consideration of interest accrued to date.

Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

i) so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
ii) the Directors have taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

The auditor, PKF Littlejohn LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006 at the annual general meeting.

PKF Littlejohn LLP has expressed a willingness to continue in office as auditor.

By Order of the Board

Graham Peck
Executive Chairman

26 June 2017

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that year.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Company is compliant with the AIM Rule 26 regarding the Company's website.

By Order of the Board

Graham Peck
Executive Chairman

26 June 2017

CORPORATE GOVERNANCE STATEMENT

The Board has given consideration to the code provisions set out in the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council. Although AIM companies are not required to give Corporate Governance disclosure, the Directors have chosen to provide certain information which they believe will be helpful with regards to the scale and nature of the Group's activities although the directors have chosen not to comply with the code.

Internal Control

The Board of Directors recognise that it is responsible for the Group's systems of internal control and for reviewing their effectiveness. Such systems, which include financial, operational and compliance controls and risk management, have been designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- the ongoing identification, evaluation and management of the significant risks faced by the Group;
- regular consideration by the Board of actual financial results;
- compliance with operating procedures and policies;
- annual review of the Group's insurance cover;
- defined procedures for the appraisal and authorisation of capital expenditure and capital disposals; and
- regular consideration of the Group's liquidity position.

When reviewing the effectiveness of internal control, the Board has regard to any problems or new areas of risk.

Remuneration Committee

The principal function of the Remuneration Committee is to determine the policy on key executives' remuneration in order to attract, retain and motivate high calibre individuals with a competitive remuneration package. The Committee consists of Graham Peck and Paul Ryan.

Remuneration for executives comprises of basic salary, a performance-related bonus, share based payments and other benefits in kind. Details of Directors' remuneration and share based payments granted are given in notes 8 and 27, respectively.

Audit Committee

The Audit Committee, comprising Paul Ryan and Graham Peck meets as necessary. It reviews the Group's external audit arrangements, including the cost-effectiveness of the audit and the independence and objectivity of the auditors. It reviews the interim and full year financial statements prior to their submission to the Board, the application of the Group's accounting policies, any changes to financial reporting requirements and such other related matters as the Board may direct. It also reviews certain corporate policies including the Group's anti-bribery policy.

Nomination committee

The Nomination Committee comprises of Graham Peck and Paul Ryan and is chaired by Paul Ryan. It meets at such times as required and has responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and gives consideration to succession planning. The Nomination Committee also has responsibility for recommending new appointments to the Board and to the other Board committees. It is responsible for identifying suitable candidates for board membership and monitoring the performance and suitability of the current Board on an on-going basis.

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the members of Strat Aero Plc

We have audited the Financial Statements of Strat Aero Plc for the year ended 31 December 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flow, , and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT (continued)

Emphasis of matter – going concern

In forming our opinion on the Financial Statements, which is not modified, we have considered the adequacy of the disclosure made in note 2(b) to the Financial Statements concerning the Group and Company's ability to continue as a going concern. The Group incurred a net loss of US$ 3,524,476 during the year ended 31 December 2016 and at that date, the Group held net liabilities of US$ 43,517.

The Financial Statements have been prepared on the going concern basis, which depends on the timing of new contracts and the receipt of new funds. These conditions, along with the other matters explained in note 2(b) to the Financial Statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern. The Financial Statements do not include the adjustments that would result if the Group or Company were unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Chairman's Statement, the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Chairman's Statement, the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and it's environment obtained in the course of the audit, we have not identified material misstatements in the Chairman's Statement, Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Joseph Archer (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

26 June 2017

Strat Aero Plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

Continuing operations	Note	**Year ended 2016 US$**	**Year ended 2015 US$**
Revenue	5	**862,988**	433,001
Cost of sales	6	**(269,909)**	(87,254)
Gross profit		**593,079**	345,747
Administration expenses	6	**(4,189,598)**	(4,180,769)
Gain on foreign exchange	6	**3,292**	130
Impairment	13	**-**	(2,028,235)
Operating loss		**(3,593,227)**	(5,863,127)
Finance costs	10	**(43,441)**	(68,812)
Finance income		**34**	6
Loss before income tax		**(3,636,634)**	(5,931,933)
Income tax expense	11	**112,158**	-
Loss for the year attributable to owners of the parent		**(3,524,476)**	(5,931,933)
Other Comprehensive Income			
Items that may be subsequently reclassified to profit or loss:			
Currency translation difference		**53,029**	7,581
Total comprehensive income for the year attributable to owners of the parent		**(3,471,447)**	(5,924,352)
Earnings per ordinary share attributable to owners of the parent during the year *(expressed in cents per share)*			
Basic and diluted	12	**(1.38)**	(6.31)

The notes on pages 24 to 51 form part of these Financial Statements.

Strat Aero Plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	2016 US$	2015 US$
Non-current assets			
Intangible assets	13	**1,763,384**	2,230,833
Property, plant and equipment	14	**179,189**	372,142
Total non-current assets		**1,942,573**	2,602,975
Current Assets			
Inventories	16	**-**	88,488
Trade and other receivables	17	**210,255**	462,814
Cash and cash equivalents	18	**3,918**	1,485,257
Total current assets		**214,173**	2,036,559
TOTAL ASSETS		**2,156,746**	4,639,534
Equity attributable to owners of the parent			
Share capital	19	**4,130,803**	2,292,836
Share premium	19	**7,217,308**	6,171,415
Other reserves	21	**(751,486)**	(574,010)
Translation reserve		**17,111**	(35,918)
Retained loss		**(10,657,253)**	(7,132,777)
TOTAL EQUITY		**(43,517)**	721,546
Current liabilities			
Trade and other payables	22	**1,323,866**	1,956,798
Borrowings	23	**98,688**	390,000
Total current liabilities		**1,422,5534**	2,346,798
Non-current liabilities			
Borrowings	23	**417,555**	1,211,036
Deferred tax liabilities	24	**360,154**	360,154
Total non-current liabilities		**777,709**	1,571,190
TOTAL LIABILITIES		**2,200,263**	3,917,988
TOTAL EQUITY AND LIABILTIES		**2,156,746**	4,639,534

The notes on pages 24 to 51 form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors and authorised for issue on 23 June 2017 and were signed on its behalf by:

Graham Peck
Executive Chairman

Strat Aero Plc

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

Company number: 09109008

	Note	2016 US$	2015 US$
Non-current assets			
Intangible assets	13	**92,520**	155,421
Property, plant and equipment	14	**2,575**	4,172
Investment in subsidiary undertakings	15	**1,177,957**	1,413,434
Trade and other receivables	17	**1,706,103**	1,144,620
Total non-current assets		**2,979,155**	2,717,647
Current Assets			
Trade and other receivables	17	**74,928**	175,455
Cash and cash equivalents	18	**2,065**	1,131,304
Total current assets		**76,993**	1,306,759
TOTAL ASSETS		**3,056,148**	4,024,406
Equity attributable to shareholders			
Share capital	19	**4,130,803**	2,292,836
Share premium	19	**7,217,308**	6,171,415
Other reserves	21	**105,612**	283,088
Translation reserve		**(627,680)**	(261,437)
Retained loss		**(8,658,527)**	(6,389,216)
TOTAL EQUITY		**2,167,516**	2,096,686
Current liabilities			
Trade and other payables	22	**789,944**	1,164,045
Borrowings	23	**98,688**	-
Total current liabilities		**888,632**	1,164,045
Non-current liabilities			
Borrowings	23	**-**	763,675
Total non-current liabilities		**-**	763,675
TOTAL LIABILITIES		**888,632**	1,927,720
TOTAL EQUITY AND LIABILITIES		**3,056,148**	4,024,406

The notes on pages 24 to 51 form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors and authorised for issue on 30 June 2017 and were signed on its behalf by:

The loss for the financial year dealt with in the financial statements of the Parent Company, Strat Aero Plc, was US$2,269,311 (2015: loss of US$5,991,023). As permitted by Section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the Parent Company.

Graham Peck
Executive Chairman

Strat Aero Plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Attributable to owners of the parent					
	Share capital US$	**Share premium US$**	**Other reserves US$**	**Translation reserve US$**	**Retained loss US$**	**Total US$**
As at 1 January 2015	**1,301,737**	**1,642,449**	**(856,384)**	**(68,582)**	**(1,200,844)**	**818,376**
Loss for the year	-	-	-	-	(5,931,933)	(5,931,933)
Other comprehensive income for the year						
Currency translation difference	-	-	-	32,664	-	32,664
Total comprehensive income for the year	**-**	**-**	**-**	**32,664**	**(5,931,933)**	**(5,899,269)**
Proceeds from shares issued (net of costs)	911,625	4,067,429	-	-	-	4,979,054
Non cash share issues	79,474	461,537	283,730	-	-	824,741
Warrants exercised	-	-	(1,356)	-	-	(1,356)
Transactions with owners, recognised directly in equity	**991,099**	**4,528,966**	**282,374**	**-**	**-**	**5,802,439**
As at 31 December 2015	**2,292,836**	**6,171,415**	**(574,010)**	**(35,918)**	**(7,132,777)**	**721,546**
As at 1 January 2016	**2,292,836**	**6,171,415**	**(574,010)**	**(35,918)**	**(7,132,777)**	**721,546**
Loss for the year	-	-	-	-	(3,524,476)	(3,524,476)
Other comprehensive income for the year						
Currency translation difference	-	-	-	53,029	-	53,029
Total comprehensive income for the year	**-**	**-**	**-**	**53,029**	**(3,524,476)**	**(3,471,447)**
Proceeds from shares issued (net of costs)	1,213,885	222,953	83,391	-	-	1,520,229
Non cash share issues[1]	624,082	682,438	-	-	-	1,306,520
Warrants expired – Aero Kinetics[2]	-	-	(120,365)	-	-	(120,365)
Warrants expired – Other[3]	-	140,502	(140,502)	--	-	-
Transactions with owners, recognised directly in equity	**1,837,967**	**1,045,893**	**(177,476)**	**-**	**-**	**2,706,384**
As at 31 December 2016	**4,130,803**	**7,217,308**	**(751,486)**	**17,111**	**(10,657,253)**	**(43,517)**

The notes on pages 24 to 51 form part of these Financial Statements.

[1] Non cash share issues comprise of issue of shares where no cash consideration was received.

[2] 'Warrants expired – Aero Kinetics' represents the expiry of warrants that were initially issued in the acquisition of Aero Kinetics by the Strat Aero Group. The warrants have expired on settlement of the Aero Kinetics related litigation .

[3] Warrants expired – other' are warrants that have expired in the current financial year.

Strat Aero Plc

PARENT COMPANY CASH FLOW STATEMENTS (continued)
For the year ended 31 December 2016

	Attributable to equity shareholders					
	Share capital US$	Share premium US$	Other reserves US$	Translation reserve US$	Retained earnings US$	Total US$
As at 1 January 2015	**1,301,737**	**1,642,449**	**714**	**(77,896)**	**(398,193)**	**2,469,811**
Loss for the year	-	-	-	-	(5,991,023)	(5,991,023)
Other comprehensive income for the period						
Currency translation difference	-	-	-	(183,541)	-	(183,541)
Total comprehensive income for the period	**-**	**-**	**-**	**(183,541)**	**(5,991,023)**	**(6,174,564)**
Proceeds from shares issued (net of costs)	911,625	4,067,429	-	-	-	4,979,054
Non cash share issues	79,474	461,537	283,730	-	-	824,741
Warrants exercised	-	-	(1,356)	-	-	(1,356)
Transactions with owners, recognised directly in equity	**991,099**	**4,258,966**	**282,374**	**-**	**-**	**5,802,439**
As at 31 December 2015	**2,292,836**	**6,171,415**	**283,088**	**(261,437)**	**(6,389,216)**	**2,096,686**
As at 1 January 2016	**2,292,836**	**6,171,415**	**283,088**	**(261,437)**	**(6,389,216)**	**2,096,686**
Loss for the year	-	-	-	-	(2,269,311)	(2,269,311)
Other comprehensive income for the year						
Currency translation difference	-	-	-	(366,243)	-	(366,243)
Total comprehensive income for the year	**-**	**-**	**-**	**(366,243)**	**(2,269,311)**	**(2,635,554)**
Proceeds from shares issued (net of costs)	1,213,885	222,953	83,391	-	-	1,520,229
Non cash share issues[4]	624,082	682,438		-	-	1,306,520
Warrants expired – Aero Kinetics[5]	-	-	(120,365)	-	-	(120,365)
Warrants expired – Other[6]	-	140,502	(140,502)	-	-	-
Transactions with owners, recognised directly in equity	**1,837,967**	**1,045,893**	**(177,476)**	**-**	**-**	**2,706,384**
As at 31 December 2016	**4,130,803**	**7,217,308**	**105,612**	**(627,680)**	**(8,658,527)**	**2,167,516**

The notes on pages 24 to 51 form part of these Financial Statements.

[4] Non cash share issues comprise of issue of shares where no cash consideration was received.

[5] 'Warrants expired – Aero Kinetics' represents the expiry of warrants that were initially issued at the acquisition of Aero Kinetics by the Strat Aero Group. The warrants have expired on settlement of the Aero kinetics related litigation.

[6] Warrants expired – other' are warrants that have expired in the current financial year.

Strat Aero Plc

PARENT COMPANY CASH FLOW STATEMENTS (continued)
For the year ended 31 December 2016

	Note	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$
Cash Flows from Operating Activities					
Loss for the year before tax		**(3,636,634)**	(5,931,933)	**(2,381,459)**	(5,991,023)
Depreciation of property, plant and equipment		**176,206**	83,860	**992**	1,125
Amortisation of intangible assets		**425,787**	211,503	**40,671**	45,849
Share based payments		**14,889**	194,760	**14,889**	194,760
Impairments		**-**	2,028,235	**1,218,651**	4,477,659
Interest income		**(34)**	(6)	**(15)**	-
Finance costs		**43,441**	68,812	**34,402**	-
Foreign exchange on operating activities		**71,484**	173,467	**(15,454)**	59,886
Taxation		**112,158**	-	**112,148**	-
Decrease/(Increase) in inventories		**-**	(88,488)	**-**	-
Decrease/(Increase) in trade and other receivables		**252,559**	(139,144)	**100,527**	13,466
(Decrease)/Increase in trade and other payables		**(314,832)**	473,685	**129,476**	264,327
Cash used in operations		**(2,854,976)**	**(2,925,249)**	**(745,172)**	**(933,951)**
Interest expense	10	**(43,441)**	(68,812)	**(34,402)**	-
Net cash used in operating activities		**(2,898,417)**	**(2,994,061)**	**(799,574)**	**(933,951)**
Cash Flows used in Investing Activities					
Purchases of intangible assets	13	**(1,086)**	-	**-**	-
Purchases of property, plant and equipment	14	**-**	(64,471)	**-**	(4,425)
Purchase of subsidiaries (net of cash acquired in the Group)		**-**	(970,177)	**-**	(980,643)
Interest income		**34**	6	**15**	-
Loans to subsidiary undertakings		**-**	-	**(1,780,134)**	(2,115,606)
Net cash used in investing activities		**(1,052)**	**(1,034,642)**	**(1,780,119)**	**(3,100,674)**
Cash Flows from Financing Activities					
Net proceeds from borrowings		**98,688**	244,881	**98,688**	-
Issue of shares, net of issue costs		**1,520,229**	5,165,927	**1,520,229**	5,165,927
Net cash generated from financing activities		**1,618,917**	**5,410,808**	**1,618,917**	**5,165,927**
Net (Decrease)/increase in cash and cash equivalents		**(1,280,552)**	**1,382,105**	**(940,776)**	**1,131,302**
Exchange losses on cash and cash equivalents		**(200,787)**	(3,665)	**(188,463)**	-
Cash and cash equivalents at beginning of year		**1,485,257**	106,817	**1,131,304**	2
Cash and cash equivalents at 31 December 2016		**3,918**	**1,485,257**	**2,065**	**1,131,304**

PARENT COMPANY CASH FLOW STATEMENTS (continued)
For the year ended 31 December 2016

Major non-cash transactions

On 17 March 2016 the Company issued 4,575,209 new ordinary shares of 1p each as consideration for the conversion of US$390,000 of convertible loan notes.

On 13 July 2016 the Company issued 37,489,288 new ordinary shares of 1p each at a price of 1p, settling the outstanding balance due of £374,893 representing the final instalment in the acquisition of Geocurve.

On 29 September 2016 the Company issued 44,750,645 new ordinary shares of 0.1p each at a price of 0.7p in settlement of all litigation and claims arising from the AK dispute with Mr W. Hulsey Smith, the Chief Executive Officer of Aero Kinetics Holdings LLC.

On 28 November 2016 the Company issued 3,428,571 new ordinary shares of 0.1p each at a price of 0.35p in settlement of consulting fees liabilities amounting to £12,000.

The notes on pages 24 to 51 form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

1 General information

Strat Aero Plc (the "Company") and its subsidiaries (together the "Group") undertake the development, marketing and selling of training programmes and software in the aviation industry. The Company is incorporated and domiciled in the UK and its registered office is The Beehive, City Place, Gatwick Airport, West Sussex, RH6 0PA.

The Company's shares are quoted on the AIM market of the London Stock Exchange plc.

2 Summary of accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied in the year presented, unless otherwise stated.

(a) Basis of preparation

The Consolidated Financial Statements of Strat Aero Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements have also been prepared under the historical cost convention.

The Financial Statements are presented in US Dollars (US$) rounded to the nearest dollar.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's Accounting Policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 4.

(b) Going concern basis

The Financial Statements have been prepared assuming the Group and Company will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations.

The assessment has been made based on the Group's economic prospects which have been included in the financial budget for the years 2017-2019, and for managing working capital, in particular for the twelve months from the date of approval of the Financial Statements. Consideration has also been given in respect of the Group's past losses and its net current liability position at the year end.

The nature of the business in which Strat Aero operates creates a degree of uncertainty as to the timing of acquisition and value of contracts due to the relative revenues of the UAV market. The Directors are in discussions with various parties in relation to numerous potential contracts which are expected to contribute positively to cash flow in the short term and in preparing the financial budgets consider the opportunities currently open and their ability to convert them.

The Directors have also considered the ability of the Group to raise funds on the open market and has demonstrated the ability to do so through share issues during the year and after the reporting date although the Directors note that this is not necessarily indicative of their ability to raise future funds. The Group's business activities together with the factors likely to affect its future

development, performance and position are set out in the Strategic Report. The Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk can be found in the Strategic Report and in Note 25.

Based in these assumptions, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future and therefore have adopted the going concern basis of preparation in these Financial Statements.

The Financial Statements do not include any adjustment that may be required should the Group and Company be unable to continue as a going concern. Going concern is referred to in the Independent Auditor's Report as an emphasis of matter.

(c) New and amended standards

(i) New and amended standards mandatory for the first time for the financial year beginning 1 January 2016

There were no IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning 1 January 2016 that had a material impact on the Group or Company.

(ii) New standards, amendments and Interpretations in issue but not yet effective or not yet endorsed and not early adopted

The standards and interpretations that are relevant to the Group or Company, issued, but not yet effective, up to the date of issuance of the Financial Statements are listed below. The Company and Group intend to adopt these standards, if applicable, when they become effective.

Standard	Impact on initial application	Effective date
IAS 7 (Amendments)	Disclosure Initiative	*1 January 2017
IAS 12 (Amendments)	Recognition of Deferred Tax	*1 January 2017
IAS 38 (Amendments)	Clarification of Acceptable Methods of Amortisation	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
Annual Improvements	2015 – 2016 Cycle	*1 January 2018

** Subject to EU endorsement*

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

The Group is evaluating the impact of the new or amended standards above. The new or amended standards are not expected to have a material impact on the Group's results or shareholders' funds.

(d) Basis of consolidation

Acquisition of Strat Aero International Inc and Strat Aero International Limited by Strat Aero Plc

The Company was incorporated on 1 July 2014 and entered into an agreement to acquire the entire issued and to be issued share capital of Strat Aero International Inc and Strat Aero International Limited on 16 July 2014. The acquisition was effected by way of issue of shares. Both of the Group's trading subsidiaries, Strat Aero International Inc and Strat Aero International Limited were incorporated on 12 December 2013 respectively and had commenced operational activities on 1 January 2014.

In determining the appropriate accounting treatment for this transaction, the Directors considered IFRS 3 “Business Combinations” (Revised 2008). However, they concluded that this transaction fell outside the scope of IFRS 3 (revised 2008) since the transaction described above represents a combination of entities under common control.

In accordance with IAS 8 “Accounting Policies, changes in accounting estimates and errors”, in developing an appropriate accounting policy, the Directors have considered the pronouncements of other standard setting bodies and specifically looked to accounting principles generally accepted in the United Kingdom (“UK GAAP”) for guidance (FRS 6 – Acquisitions and mergers) which does not conflict with IFRS and reflects the economic substance of the transaction.

Under UK GAAP, the assets and liabilities of both entities are recorded at book value, not fair value (although adjustments are made to achieve uniform accounting policies), intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the legal acquirer in accordance within applicable IFRS, no goodwill is recognised, any expenses of the combination are written off immediately to the statement of comprehensive and comparative amounts, if applicable, are restated as if the combination had taken place at the beginning of the earliest accounting year presented.

Therefore, although the Group reconstruction did not become unconditional until 21 August 2014, these Consolidated Financial Statements are presented as if the Group structure has always been in place, including the activity from incorporation of the group's principal subsidiary. All entities had the same management as well as majority shareholders.

As Strat Aero Plc was incorporated on 1 July 2014, while the enlarged group began trading on 16 July 2014, the comparative information in the Statement of Comprehensive Income and Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statements are presented as though the Group was in existence for the whole prior year, being that commencing on 12 December 2013 and ending on 31 December 2014.

On this basis, the Directors have decided that it is appropriate to reflect the combination using merger accounting principles as a group reconstruction under FRS 6 - Acquisitions and mergers in order to give a true and fair view. No fair value adjustments have been made as a result of the combination.

Subsidiaries

Except for the transactions described above, the Consolidated Financial Statements include the Financial Statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the

ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(e) Business combinations

Aside from the initial establishment of the Group as described in 2(d) the acquisition of other subsidiaries have been accounted for using the acquisition method of accounting.

The consideration transferred for the acquisition is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39, either in the Income Statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the identifiable net assets acquired and liabilities assumed.

(f) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM is deemed to be the Chief Executive Officer and the Chief Financial Officer.

Operating segments are identified on the basis of internal reports that are regularly reviewed by the CODM to allocate resources and to assess performance. Using the Group's internal management reporting as a starting point, two reporting segments set out in note 5 have been identified.

(g) Foreign currencies

Functional and presentation currency

The individual financial statements of each Group company are measured in the currency of the primary economic environment in which it operates (its functional currency) being US Dollar or Pounds Sterling. For the purpose of the Group Financial Statements, the results and financial

position are expressed in US Dollars, which is the presentation currency for the Group and company.

Transactions and balances

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the Statement of Financial Position date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the Statement of Financial Position date. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items at the Statement of Financial Position date, are included in the Statement of Comprehensive Income for the year.

Group companies

The results and financial position of the Group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each Statement of Comprehensive Income presented are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in Statement of Comprehensive Income as part of the gain or loss on sale.

(h) Intangible assets

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the Statement of Comprehensive Income.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair

value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Customer lists and intellectual property rights are shown at historic costs, less amortisation. Costs associated with maintaining intellectual property rights are recognised as an expense as incurred. Costs incurred in development have been capitalised, on the basis that the Company will have access to future economic benefits deriving from ownership of this new technology.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

The Group's Intangible assets are amortised at 20% per annum on a straight line basis.

At each year end date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value, less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

(i) Property, plant and equipment

All property, plant and equipment are shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the financial year in which they are incurred.

Depreciation is charged so as to write off the cost of assets over their useful economic lives, using the straight-line method, which is considered to be as follows:

- Plant and equipment - 5 years
- Motor Vehicles - 3 to 5 years

The assets' residual values and useful lives are reviewed, and, if appropriate, asset values are written down to their estimated recoverable amounts, at each Statement of Financial Position date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts, and are included in Statement of Comprehensive Income.

(j) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

(k) Financial assets

The Group and Company has classified all of its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method, less provision for impairment.

(l) Impairment of financial assets

The Group and Company assesses at the end of each reporting year whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. A financial asset, or a group of financial assets, is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

The criteria that the Group and Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal repayments.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced, and the loss is recognised in the profit or loss.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the trade and other receivables credit rating), the reversal of the previously recognised impairment loss is recognised in the Statement of Comprehensive Income.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges for purchases of raw materials.

(n) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(o) Cash and cash equivalents

In the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

(p) Share capital and reserves

Equity comprises the following:

- "Share Capital" represents ordinary shares issued at par value
- "Deferred Shares" represents notional shares arising on the redenomination of the nominal share capital from 1p to 0.1p on August 12 2016.
- "Share Premium" represents the premium paid on shares issued above par value; and
- "Retained earnings" represents retained losses.
- "Merger reserve" - The merger arose from the difference between the carrying value of the investment and the nominal value of the shares of subsidiaries upon consolidation under merger accounting.
- Share option reserve – represents the fair value of unexpired warrants at the issue date.

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

(q) Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives goods or services from employees or third party suppliers as consideration for equity instruments of the Company. The fair value of the equity-settled share based payments are recognised as an expense in the Statement of Comprehensive Income or charged to equity depending on the nature of the services provided or instruments issued.

(r) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

(s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the year of the borrowings using the effective interest method.

(t) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder. 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. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to their 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 remeasured subsequent to initial recognition, except on conversion or expiry.

(u) Revenue recognition

The Group generates its revenue from the provision of consultancy and survey services performed on a ‘time and materials’ basis and the delivery of commercial pilot training solutions. Revenues are recognised on these products at the point of sale and when services are rendered to clients as per the terms of specific contracts. In the case of fixed price contracts, revenues are recognised on a percentage of completion basis. Turnover is stated net of value added tax in respect of continuing activities. The third revenue stream, the Unmanned Aerial Systems (“UAS”) Pilot Training and Services division, has generated only initial revenue during the year under review.

(v) Current and deferred income tax

The tax charge/(credit) represents tax currently payable less a credit for deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from the loss for the

year as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the relevant jurisdiction in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Consolidated Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax is not discounted.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(w) 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 year of the lease.

3 Financial risk management

i) Group financial risk factors

The Group's activities expose it to a variety of financial risks. The Group's finance function monitors and manages the financial risks relating to the operations of the Group. The Group is exposed to market risks (including foreign exchange risk and price risk) and credit risk and to a very limited amount interest rate risk and liquidity risk.

Risk management is carried out by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, to mitigate financial risk exposures.

Market risk

(a) Foreign exchange risk
Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the functional currency (GBP Sterling) in which other Group companies are operating. The Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains and losses on retranslation into US Dollar. Only in exceptional circumstances will the Group consider hedging its net investments in non-US Dollar operations as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques. It is the Group's policy to hold surplus funds over and above working capital requirements in the Parent Company. The Group considers this policy minimises any unnecessary foreign exchange exposure.

In order to monitor the continuing effectiveness of this policy the Board through their approval of both corporate and capital expenditure budgets, and review of the currency profile of cash balances and management accounts, considers the effectiveness of the policy on an ongoing basis.

(b) Price risk
The Group is not exposed to commodity price risk as a result of its operations. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature. The Group has no exposure to equity securities price risk, as it has no listed equity investments.

Credit risk

Credit risk arises from the Group's trade receivables. Where no independent rating of customers is available, credit control assesses the quality of customers by reference to their financial position, past experience and any other relevant factors.

Interest rate risk management

The Group is not exposed to interest rate risk on financial liabilities.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

ii) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. The Group's capital structure primarily consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained losses.

4 Critical accounting estimates and judgements

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 Group makes estimates and judgements concerning the future. The resulting accounting estimates and judgements will, by definition, seldom equal the related actual results. The estimates

and judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below:

Intangible assets

Intangible assets comprise of development costs, customer lists and Intellectual Property and are amortised accordingly:

Development costs	5 years
Customer lists	5 years
Intellectual Property	5 years

Useful lives are based on management's estimates of the period that the assets will generate revenues with such records being periodically reviewed for continual appropriation.

5 Segmental analysis

Management considers there to be two activities, being the provision of consultancy and survey services to the international aviation and industrial markets and training services in respect of aviation. Accordingly, segmental analysis is reflected in the Consolidated Group Statements set out herein.

Total revenue comprises:

Revenue from external customers:	**2016 US$**	**2015 US$**
Consultancy and survey	**839,271**	433,001
Training	**23,717**	-
	862,988	433,001

Revenues are generated in a number of countries analysed as to:	**2016 US$**	**2015 US$**
United Kingdom	**681,474**	320,842
United State of America	**157,797**	112,159
South East Asia	**23,717**	-
	862,988	433,001

The following customers generated more than 10% of the Group's revenue:	**2016 US$**	**2015 US$**
Customer 1	**150,796**	-
Customer 2	**130,337**	-
Customer 3	**88,681**	-
Customer 4	**60,577**	81,231
Customer 5	**-**	157,583
	430,391	238,814

Carrying amount of assets

	2016 US$	2015 US$
United Kingdom	**1,762,982**	3,881,985
United States of America	**393,764**	757,549
	2,156,746	4,639,534

Carrying amount of liabilities

	2016 US$	2015 US$
United Kingdom	**1,461,083**	2,508,073
United States of America	**739,180**	1,409,915
	2,200,263	3,917,988

6 Operating expenses by nature

	2016 US$	2015 US$
Cost of sales	**269,909**	87,254
PR, marketing and advertising	**139,747**	283,882
Wages, salaries and other staff costs (note 7)	**1,764,831**	1,150,244
Depreciation	**176,206**	83,860
Amortisation	**425,787**	211,503
Operating lease expenses	**161,708**	130,265
Professional and consultancy fees	**1,007,779**	1,495,121
Audit fees (note 9)	**59,719**	59,208
Acquisition related expenses	**-**	130,335
Aero Kinetic litigation net settlement (gain)	**(129,477)**	-
Net foreign exchange (gains)	**(3,292)**	(130)
Other expenses	**583,298**	636,351
	4,456,215	4,267,893

7 Staff costs

The average number of employees, including Directors, employed by the Group was:

	2016 No.	2015 No.
Directors	**5**	4
Development	**18**	8
Administration	**8**	4
	31	16

Employees', including Directors', costs comprise:

	2016 US$	2015 US$
Wages, salaries and other staff costs	**1,638,477**	1,129,441
Social security costs	**126,354**	20,803
	1,764,831	1,150,244

8 Directors

Key management are considered to be Directors.

Group	2016 Short term employee benefits US$	2016 Other US$	2016 Total US$	2015 Short term employee benefits US$	2015 Other US$	2015 Total US$
Graham Peck	20,336	-	20,336	34,387	5,525	**39,912**
Iain McLure	122,013	-	122,013	-	-	**-**
Gerard Dempsey	27,114	-	27,114	10,189	2,762	**12,951**
Paul Ryan	27,114	-	27,114	10,189	2,762	**12,951**
Russell Peck	-	-	-	27,878	4,976	**32,854**
Robert Salluzzo	-	-	-	27,878	4,193	**32,071**
Tony Dunleavy	-	-	-	7,642	6,906	**14,548**
Greg Kuenzel	-	-	-	18,340	-	**18,340**
	196,577		196,577	136,503	27,124	**163,627**

9 Auditors remuneration

	2016 US$	2015 US$
Fees payable to the Company's auditor for the audit of the Group and Parent Company's Financial Statements	**10,000**	10,000
Fees payable to the Company's auditor for other services:		
Audit of the accounts of subsidiaries	**43,541**	49,208
Taxation - compliance	**6,250**	14,432
	59,791	73,640

10 Finance costs

	2016 US$	2015 US$
Interest payable and other finance costs	**43,441**	68,812
	43,441	68,812

11 Tax

No income tax charge was recognised in the Statement of Comprehensive due to losses incurred.

Group **Income tax expense:**	**2016** **US$**	**2015** **US$**
Current tax		
UK Corporation tax credit	**(112,158)**	-
Deferred tax		
Current year	**-**	-
Tax credit	**(112,158)**	-

The tax on Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the consolidated entities as follows:

Group	**2016** **US$**	**2015** **US$**
Loss before tax	**(3,636,634)**	(5,931,933)
Tax at the applicable rate of 24.38% (31 December 2015: 23.87%):	**(886,514)**	(1,416,040)
Effect of:		
Expenses not deductible for tax purposes	**27,015**	524,725
Depreciation in excess of capital allowances / (capital allowance in excess of depreciation)	**146,750**	24,406
R&D tax credit	**(112,158)**	-
Net tax effect of losses carried forward	**712,749**	866,909
Tax credit for the year	**(112,158)**	-

The tax rate used is a combination of 20% standard rate of corporation tax in the UK and US tax rate of 34% to give an applicable rate of 24.38%.

The Group has tax losses of approximately US$8,291,000 (31 December 2015: US$5,368,000) available to carry forward against future taxable profits. No deferred tax asset has been recognised in view of the uncertainty over the timing of future taxable profits against which the losses may be offset.

12 Earnings per share

Basic earnings per share has been calculated by dividing the loss attributable to equity holders of the Company after taxation by the weighted average number of shares in issue during the year. There is no difference between the basic and diluted loss per share as the effect on the exercise of options and warrants would be to decrease the earnings per share.

Since the year end, no warrants have been exercised which may result in the dilution of the earnings per share in the future. Details of share options and warrants that were anti-dilutive but may be dilutive in the future are set out in note 20.

Basic and Diluted	2016 US$	2015 US$
Loss after taxation	**(3,524,476)**	(5,931,933)
Weighted average number of shares	**255,104,361**	93.993,888
Earnings per share (cents)	**(1.38)**	(6.31)

13 Intangible assets

Goodwill – Cost and Net Book Value	2016 US$	2015 US$
At 1 January	**14,557**	-
Acquisition of subsidiaries (at fair value)	**-**	2,042,792
Impairments	**-**	(2,028,235)
At 31 December	**14,557**	14,557

Other intangibles – Group	Customer Lists US$	Intellectual Property US$	Development Costs US$	Total US$
Cost				
At 1 January 2015	-	233,265	469,372	702,637
Acquisition of subsidiaries	540,232	630,270	633,670	1,804,172
Foreign exchange differences	-	(11,236)	(120)	(11,356)
At 31 December 2015	**540,232**	**852,299**	**1,102,922**	**2,495,453**
Additions	-	-	1,086	1,086
Foreign exchange differences	(6,054)	(44,053)	(7,500)	(57,607)
At 31 December 2016	**534,178**	**808,246**	**1,096,508**	**2,438,932**
Accumulated amortisation				
At 1 January 2015	-	23,327	46,937	70,264
Charge for the year	27,012	59,354	125,137	211,503
Foreign exchange differences	-	(2,567)	(23)	(2,590)
At 31 December 2015	**27,012**	**80,114**	**172,051**	**279,177**
Charge for the year	86,437	141,514	197,836	425,787
Foreign exchange differences	(5,403)	(3,054)	(6,402)	(14,859)
At 31 December 2016	**108,046**	**218,574**	**363,485**	**690,105**
Net book value				
At 31 December 2015	**513,220**	**772,185**	**930,871**	**2,216,276**
At 31 December 2016	**426,132**	**589,672**	**733,023**	**1,748,827**

Other intangibles – Company	**Intellectual Property US$**
Cost	
At 1 January 2015	233,265
Foreign exchange differences	(11,235)
At 31 December 2015	**222,030**
Foreign exchange differences	(36,990)
At 31 December 2016	**185,040**
Accumulated amortisation	
At 1 January 2015	23,237
Charge for the year	45,849
Foreign exchange differences	(2,567)
At 31 December 2015	**66,519**
Charge for the year	40,671
Foreign exchange differences	(14,670)
At 31 December 2016	**92,520**
Net book value	
At 31 December 2015	**155,421**
At 31 December 2016	**92,520**

The above intangible assets comprise the Intellectual Property acquired on 16 July 2014 and 30 September 2015. All research and development costs not eligible for capitalisation have been expensed.

The recoverable amount of the above cash-generating units has been determined based on value in use calculations. The key assumptions used for value-in-use calculations in 2016 are as follows:

Gross margin	20-50%
Growth rate	10-45%
Discount rate	10%

Management determined budgeted gross margin based on past performance and its expectations of market development. The average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax, and reflect specific risks relating to the relevant operating segment.

The recoverable amount calculated based on value in use did not exceed the carrying value.

14 Property, Plant and Equipment

Group	Plant & equipment US$	Motor Vehicles US$	Total US$
Cost			
At 1 January 2015	194,288	34,032	228,320
Additions	64,471	-	64,471
Acquisition of subsidiary	258,686	85,517	344,203
Foreign exchange differences	633	-	633
At 31 December 2015	**518,078**	**119,549**	**637,627**
Additions	-	-	-
Foreign exchange differences	(58,350)	(13,465)	(71,815)
At 31 December 2016	**459,728**	**106,084**	**565,812**
Accumulated depreciation			
At 1 January 2015	19,429	3,403	22,832
Charge for the year	75,544	8,316	83,860
Acquisition of subsidiary	123,696	35,939	159,635
Foreign exchange differences	(842)	-	(842)
At 31 December 2015	**217,827**	**47,658**	**265,485**
Charge for the year	155,739	20,467	176,206
Foreign exchange differences	(48,245)	(6,823)	(55,068)
At 31 December 2016	**325,321**	**61,302**	**386,623**
Net book value			
At 31 December 2015	**300,251**	**71,891**	**372,142**
At 31 December 2016	**300,251**	**44,782**	**179,189**

Company	Plant & equipment US$	Motor Vehicles US$	Total US$
Cost			
At 1 January 2015	1,039	-	1,039
Additions	4,425	-	4,425
Foreign exchange differences	(49)	-	(49)
At 31 December 2015	**5,415**	**-**	**5,415**
Additions	-	-	-
Foreign exchange differences	(901)	-	(901)
At 31 December 2016	**4,514**	**-**	**4,514**
Accumulated depreciation			
At 1 January 2015	104	-	104
Charge for the period	1,125	-	1,125
Foreign exchange differencies	14	-	14
At 31 December 2015	**1,243**	**-**	**1,243**
Charge for the year	992	-	992
Foreign exchange differences	(296)	-	(296)
At 31 December 2016	**1,939**	**-**	**1,939**

Net book value			
At 31 December 2015	**4,172**	**-**	**4,172**
At 31 December 2016	**2,575**	**-**	**2,575**

15 Investment in subsidiary undertakings

Company	**2016 US$**	**2015 US$**
As at 1 January	**1,413,434**	857,100
Additions	**-**	1,413,433
Foreign exchange differences	**(235,477)**	-
Impairments	**-**	(857,099)
Cost at 31 December	**1,177,957**	1,413,434

The following are the principal subsidiaries of the Company at 31 December 2016 and at the date of these Financial Statements.

Name of company	**Registered Address**	**Parent company**	**Class of shares**	**Share capital held**	**Nature of business**
Strat Aero International, Inc.	19500 State Highway 249, Suite 655, Houston, Texas 77070, USA	Strat Aero Plc	Ordinary	100%	Provider of aviation software, products and services
Strat Aero International Limited	The Beehive, City Place, Gatwick Airport, West Sussex, RH6 0PA, UK	Strat Aero Plc	Ordinary	100%	Aviation management and consultancy services
Strat Aero International Consultancy Group, LLC	19500 State Highway 249, Suite 655, Houston, Texas 77070, USA	Strat Aero International, Inc	N/A	100%	Dormant company
Strat Aero Holdings, Inc	19500 State Highway 249, Suite 655, Houston, Texas 77070, USA	Strat Aero Plc	Ordinary	100%	Holding company
Aero Kinetics Labs, LLC	19500 State Highway 249, Suite 655, Houston, Texas 77070, USA	Strat Aero Holdings, Inc	N/A	100%	Provider of aviation software, products and services

Aero Kinetics, LLC	19500 State Highway 249, Suite 655, Houston, Texas 77070, USA	Strat Aero Holdings, Inc	N/A	100%	Provider of aviation software, products and services
Nephos Services, LLC	19500 State Highway 249, Suite 655, Houston, Texas 77070, USA	Strat Aero Holdings, Inc	N/A	100%	Dormant company
Aero Kinetics UAS TC001, LLC	19500 State Highway 249, Suite 655, Houston, Texas 77070, USA	Aero Kinetics, LLC	N/A	100%	Dormant company
Geocurve Ltd	Tintagel House London Road, Kelvedon, Colchester, Essex, CO5 9BP, UK	Strat Aero Plc	Ordinary	100%	Aviation surveying and mapping
GN Site Engineers Ltd	Tintagel House London Road, Kelvedon, Colchester, Essex, CO5 9BP, UK	Geocurve Ltd	Ordinary	100%	Aviation surveying and mapping
UKAeroVision Limited	Tintagel House London Road, Kelvedon, Colchester, Essex, CO5 9BP, UK	Geocurve Ltd	Ordinary	100%	Aviation surveying and mapping

16 Inventories

	2016		2015	
	Group US$	**Company US$**	**Group US$**	**Company US$**
Raw materials	-	-	18,009	-
Work in progress	-	-	70,479	-
	-	-	88,488	-

17 Trade and other receivables

	2016		2015	
	Group US$	**Company US$**	**Group US$**	**Company US$**
Amounts due from group undertakings	**-**	**1,706,103**	-	1,144,620
Trade receivables	**127,639**	**-**	236,808	-
VAT receivable	**-**	**22,708**	47,760	69,188
Other receivables	**494**	**11,421**	58,276	51,498
Prepayments	**82,122**	**40,799**	119,970	54,769
At 31 December	**210,255**	**1,781,031**	462,814	1,320,075
Less: non-current portion	**-**	**(1,706,103)**	-	(1,144,620)
Current portion	**210,255**	**74,928**	462,814	175,455

The fair value of all receivables is the same as their carrying values stated above.

Ageing of past due trade receivables - Group:	**2016 US$**	**2015 US$**
0 – 15 days	-	-
16 – 30 days	**76,418**	11,401
Over 30 days	**51,221**	225,407
	127,639	236,808

The carrying amount of the Group's trade receivables are denominated in the following currencies:

	2016	**2015**
	US$	**US$**
US Dollars	**23,286**	4,400
UK Pounds	**104,353**	232,408
	127,639	236,808

The maximum exposure to credit risk at the reporting date is the carrying value reported above. The Group does not hold collateral as security. No provision (2015: nil) has been made at the year-end in respect of trade receivables.

18 Cash and cash equivalents

	2016		**2015**	
	Group	**Company**	**Group**	**Company**
	US$	**US$**	**US$**	**US$**
Cash at bank and in hand	**3,918**	**2,065**	1,485,257	1,131,304
	3,918	**2,065**	1,485,257	1,131,304

The carrying amount of the Group's cash and cash equivalents are denominated in the following currencies:

	2016		**2015**	
	Group	**Company**	**Group**	**Company**
	US$	**US$**	**US$**	**US$**
US Dollars	**4,109**	**-**	202,071	-
UK Pounds	**(191)**	**2,065**	1,283,186	1,131,304
	3,918	**2,065**	1,485,257	1,131,304

19 Share capital

	2016		2015	
Issued equity share capital	**Number**	**US$**	Number	US$
Issued and fully paid				
Ordinary shares of 0.1p (2015:1p)	**384,285,262**	**556,377**	142,063,771	2,292,836
Deferred shares of 0.1p each	**2,358,954,414**	**3,574,036**	-	-
		4,130,803		2,292,836

Group and Company	Number of shares	Ordinary shares US$	Share premium US$	Total US$
Issued and fully paid				
At 1 January 2015	**76,968,437**	**1,301,737**	**1,642,449**	**2,944,186**
Issue of new shares – 10 March 2015	7,333,334	110,631	834,186	944,817
Issue of new shares – 15 October 2015	30,000,000	463,274	1,671,062	2,134,336
Issue of new shares – 15 December 2015	27,562,000	414,229	2,002,965	2,417,194
Issue of new shares – 22 December 2015	200,000	2,965	20,753	23,718
As at 31 December 2015	**142,063,771**	**2,292,836**	**6,171,415**	**8,464,251**
As at 1 January 2016	**142,063,771**	**2,292,836**	**6,171,415**	**8,464,251**
Issue of new shares – 17 March 2016	4,575,209	64,476	322,380	386,855
Issue of new shares – 12 April 2016[4]	35,555,556	506,082	63,260	569,342
Issue of new shares – 20 April 2016[5]	42,422,222	610,612	76,326	686,938
Issue of new shares – 13 July 2016	37,489,288	497,145	-	497,145
Issue of new shares – 1 September 2016[6]	74,000,000	97,192	388,766	485,958
Issue of new shares – 29 September 2016	44,750,645	58,207	349,423	407,630
Issue of new shares – 28 November 2016	3,428,571	4,253	10,635	14,889
Share issue costs	-	-	(164,897)	(164,897)
As at 31 December 2016	**384,285,262**	**4,130,803**	**7,217,308**	**11,348,111**

On 17 March 2016 the Company issued 4,575,209 new ordinary shares of 1p each as consideration for the conversion of US$390,000 of convertible loan notes.

On 12 April 2016 the Company issued 35,555,556 new ordinary shares of 1p each at a price of 1.125p per share raising £400,000. On the same date the Company issued 8,000,000 warrants exercisable for three years from the date of grant at an exercise price of 1.125p.

On 20 April 2016 the Company issued 24,000,000 new ordinary shares of 1p each and committed to issue a further 18,422,222 new ordinary shares of 1p each following approval by shareholders at a general meeting of the Company, raising in aggregate £477,250 at a price of 1.125p per share. On the same date the Company issued 4,242,222 warrants exercisable for three years from the date of grant at an exercise price of 1.125p.

On 12 May 2016, following approval from shareholders at a general meeting of the Company, the Company issued the 18,422,222 new ordinary shares of 1p each in connection with the placing on 20 April 2016

On 13 July 2016 the Company issued 37,489,288 new ordinary shares of 1p each at a price of 1p settling the outstanding balance due of £374,893 representing the final instalment in the acquisition of Geocurve.

A resolution was passed with effect from 12 August 2016 to subdivide and re-designate the ordinary shares of the Company. Accordingly, each of the 262,106,046 ordinary shares in issue of 1p each in the capital of the Company was subdivided into, and re-designated as, 262,106,046 ordinary shares of 0.1p and 2,358,954,414 deferred shares of 0.1p each.

On 1 September 2016 the Company issued 74,000,000 new ordinary shares of 0.1p each at a price of 0.5p per share raising £370,000. On the same date the Company issued 7,400,000 warrants exercisable for three years from the date of grant at an exercise price of 0.5p.

On 29 September 2016 the Company issued 44,750,645 new ordinary shares of 0.1p each at a price of 0.7p as settlement of all litigation and claims arising from the AK dispute with Mr W. Hulsey Smith the Chief Executive Officer of Aero Kinetics Holdings LLC.

On 28 November 2016 the Company issued 3,428,571 new ordinary shares of 0.1p each at a price of 0.35p in settlement of consulting fees accrued amounting to £12,000.

20 Share based payments

Share Options and Warrants

Share Options and Warrants to subscribe for new Ordinary Shares in the Company were in issue as follows:

	2016		2015	
	No. of warrants	Weighted average price £	No. of warrants	Weighted average price £
At 1 January	36,139,368	0.08	459,375	0.08
Granted during the year	19,642,222	0.01	35,879,993	0.08
Lapsed/Exercised during the year	(34,690,968)	0.08	(200,000)	0.08
Outstanding at 31 December	**21,090,622**	**0.01**	**36,139,368**	**0.08**
Exercisable at 31 December	**21,090,622**	**0.01**	**36,139,368**	**0.08**

The warrants outstanding at 31 December 2016 had a weighted average remaining contractual life of 2.5 years (31 December 2015: 1.96 years).

GBP £ are used in this note as the shares are traded in the UK and are also issued in GBP currency.

Fair value of warrants

The fair value of the warrants issued during 2016 was determined using the Black Scholes valuation model. The assumptions used in applying the Black Scholes pricing model were as follows:

	April 2016 A	April 2016 B	September 2016
Granted on:	12 Apr 2016	20 Apr 2016	1 Sep 2016
Share price at the date of grant	1.38p	1.23p	0.48p
Exercise price	1.125p	1.125p	0.5p
Expected volatility	28.59%	32.39%	86.65%
Expected warrant life	3 years	3 years	3 years
Risk free rate	1.79%	1.79%	1.79%

The volatility was determined by examining the monthly share price.

On 12 April 2016 the Company granted 8,000,000 warrants to subscribe for new ordinary shares at an exercise price of 1.125 pence per share exercisable for a period of 3 years.

On 20 April 2016 the Company granted 4,242,222 warrants to subscribe for new ordinary shares at an exercise price of 1.125 pence per share exercisable for a period of 3 years.

On 1 September 2016 the Company granted 7,400,000 warrants to subscribe for new ordinary shares at an exercise price of 0.5 pence per share exercisable for a period of 3 years.

21 Other reserves

	Company		Group		
	Share option and warrants reserve	**Total**	**Share option and warrants reserve**	**Merger reserve**	**Total**
	US$	**US$**	**US$**	**US$**	**US$**
At 1 January 2015	714	714	714	(857,098)	(856,384)
Share warrants issued (note 20)	283,730	283,730	283,730	-	283,730
Share warrants exercised (note 20)	(1,356)	(1,356)	(1,356)	-	(1,356)
At 31 December 2015	283,088	283,088	283,088	(857,098)	(574,010)
At 1 January 2016	283,088	283,088	283,088	(857,098)	(574,010)
Share warrants issued (note 20)	83,391	83,391	83,391	-	83,391
Share warrants lapsed (note 20)	(260,867)	(260,867)	(260,867)	-	(260,867)
At 31 December 2016	105,612	105,612	105,612	(857,098)	(751,486)

22 Trade and other payables

	2016		2015	
	Group	**Company**	**Group**	**Company**
	US$	**US$**	**US$**	**US$**
Trade payables	**549,845**	**374,993**	568,330	150,001
VAT payable	**2,535**	**-**	-	-
Social security and other taxes	**219,865**	**3,706**	116,671	-
Deferred consideration payable for business combinations	**-**	**-**	762,145	762,145
Accruals	**523,154**	**399,658**	416,945	251,899
Other creditors	**28,466**	**11,587**	92,707	-
	1,323,865	**789,944**	1,956,798	1,164,045

23 Borrowings

	2016		2015	
	Group US$	Company US$	Group US$	Company US$
Convertible loans	-	-	763,675	763,675
Non-convertible loans	-	-	381,000	-
Shareholder loans	**391,115**	-	398,313	-
Other borrowings	**125,128**	**98,688**	58,048	-
At 31 December	**516,243**	**98,688**	1,601,036	763,675
Less: non-current portion	**(417,555)**	-	(1,211,036)	(763,675)
Current portion	**98,688**	**98,688**	390,000	-

In November 2016, the Company entered into a £300,000 six month loan facility with a secured fixed and floating charge with Farina Investments (UK) Ltd over a six month term. This facility was extended for a further twelve months from 1 March 2017.
Shareholder loans are unsecured and accrue no interest.

24 Deferred tax

	2016		2015	
	Group US$	Company US$	Group US$	Company US$
Deferred tax liabilities				
Deferred tax liability after more than 12 months	**360,154**	-	360,154	-
Deferred tax liabilities	**360,154**	-	360,154	-

The movement in the deferred tax account is as follows:

	2016		2015	
	Group US$	Company US$	Group US$	Company US$
At 1 January	**360,154**	-	-	-
Acquisition of subsidiary	-	-	360,154	-
At 31 December	**360,154**	-	360,154	-

25 Financial instruments

Categories of financial instruments

	2016 Group US$	2016 Company US$
Assets – Loans and receivables		
Trade and other receivables (excluding prepayments)	128,133	1,740,232
Cash and cash equivalents	3,918	2,065
	132,051	**1,742,297**
Liabilities – At amortised cost		
Trade and other payables (excluding non-financial liabilities)	800,711	789,944
Borrowings	417,555	98,688
	1,218,266	**888,632**

	2015 Group US$	2015 Company US$
Assets – Loans and receivables		
Trade and other receivables (excluding prepayments)	295,084	1,265,306
Cash and cash equivalents	1,485,257	1,131,304
	1,780,341	**2,396,610**
Liabilities – At amortised cost		
Trade and other payables (excluding non-financial liabilities)	648,037	1,164,045
Borrowings	1,211,036	763,675
	1,859,073	**1,927,720**

26 Financial commitments

Operating leases

At 31December 2016 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 Land and buildings US$	2015 Land and buildings US$
No later than one year	**124,988**	146,520
Later than one year but no later than 5 years	**126,534**	127,099
Total future minimum lease payments	**251,522**	273,619

27 Related party transactions

Directors' transactions

For Directors' transactions after the year end see note 29

During the year, Russell Peck provided to Strat Aero International Inc advances amounting to US$nil (31 December 2015: US$333,575) to fund its operations and working capital requirements. The balance outstanding at the year-end was US$398,313 (31 December 2015: US$398,313).

Directors remuneration is disclosed in note 8.

Parent Company transactions with subsidiary companies

During the year the Company received US$199,137 (31 December 2015: US$184,194) management fees from its subsidiaries. At the year-end US$1,706,103 was due from the subsidiary companies as follows (note 17).

- Strat Aero International Limited	US$1,220,065 (2015: US$736,085)
- Strat Aero International Inc	US$nil (2015: US$nil)
- Geocurve Ltd	US$486,038 (2015: US$408,535)

28 Events after the Reporting Year

On 31 January 2017 the Company issued 380,000,000 new ordinary shares of 0.1p each at a price of 0.1p per share raising £380,000. On the same date the Company issued 418,000,000 warrants exercisable for two years from the date of grant at an exercise price of 0.225p.

On 21 February 2017, following approval from shareholders at a general meeting of the Company, the Company issued the 850,000,000 new ordinary shares of 0.1p each at a price of 0.1p per share raising £850,000 in connection with a placing announced on 14 February 2017. In addition, certain directors and a director of a subsidiary company agreed to subscribe for 250,000,000 Ordinary Shares at the Placing Price in settlement of outstanding compensation and expenses accrued since 2015 in the sum of £250,000. On the same date the Company issued 1,170,000,000 warrants exercisable for two years from the date of grant at an exercise price of 0.225p in conjunction with the two placings.

On the same date a further 50,000,000 new ordinary shares of 0.1p each at a price of 0.1p per share were issued to certain professional advisors and service providers of Strat Aero in satisfaction of fees outstanding in the amount of £50,000.

On March 1 2017 50,000,000 new ordinary shares in the Company at a price of 0.1p per ordinary share was issued to Farina Investments (UK) Ltd in exchange for agreeing new favourable Loan terms and in consideration of interest accrued to date.

Directors' transactions

The directors and previous directors of the Company who participated in the February 2017 Placing were as follows:

- Iain McLure subscribed for 100,000,000 new ordinary shares of 0.1p each for £100,000
- Gerard Dempsey subscribed for 25,000,000 new ordinary shares of 0.1p each for £25,000
- Paul Ryan subscribed for 110,000,000 new ordinary shares of 0.1p each for £110,000
- Russell Peck subscribed for 15,000,000 new ordinary shares of 0.1p each for £15,000

Strat Aero Plc

COMPANY INFORMATION

Directors	Graham Peck	(*Executive Chairman)*
	Iain McLure	(*Chief Executive Officer*)
	Gerard Dempsey	(*Chief Financial Officer)*
	Paul Ryan	(*Non-executive Director*)
Website	www.strat-aero.com	
Registered Office	The Beehive City Place Gatwick Airport West Sussex RH6 0PA	
Registered Number	09109008	
Nominated Adviser and Joint Broker	SP Angel Corporate Finance LLP Prince Frederick House 35-39 Maddox Street London W1S 2PP	
Joint Broker	Beaufort Securities Limited 131 Finsbury Pavement London EC2A 1NT	
Joint Broker	Cornhill Capital Limited 4th Floor, 18 St Swithin's Lane London EC4N 8AD	
Solicitors	Hill Dickenson LLP Broadgate Tower 20 Primrose Street London EC2A 2EW	
Independent Auditor	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD	
Registrars	Share Registrars Limited First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 97LL	

COMPANY INFORMATION (continued)

Details of the Directors and their backgrounds are as follows:

Captain Graham Douglas Grindell Peck (aged 70, British)
Executive Chairman

Captain Peck began his flying career in 1963 as a pilot in the UK Royal Navy flying fleet air defence fighters from both aircraft carriers and shore bases. During this time he qualified as a military flying instructor teaching fast jet students at the Royal Naval Advanced Flying Training School and embarked on a training career that spanned over 50 years. On leaving the military in 1972 he joined Dan Air, a UK charter airline and soon extended his training qualifications when he became a Line Training Captain on BAC 1-11 aircraft. This led to his qualification as a UK CAA Authorised Examiner and he subsequently held the position of Fleet Chief Training Captain on the B737 Fleet.

The airline was absorbed into British Airways ("BA") in 1993 and Captain Peck took the post of B737 Flight Manager in the new BA Euro Gatwick division. In 1998 he was seconded to GB Airways, a BA subsidiary airline as Chief Pilot and shortly after became the Director of Operations and a full board member. On reaching the BA compulsory retirement age he went freelance and in 2000 joined Flight Safety Boeing Training International (later known as Alteon), Boeing's training division, as the Head of Training for the EMEA region. He was responsible for the initial structuring of the training department and obtained the necessary regulatory approvals leading to the full type rating training organisation status for six training centres covering the UK, Europe, North Africa and Singapore. Since 2010, Captain Peck has run his own aviation consultancy business and worked in the development and delivery of innovative training and educational solutions to the aviation industry. Capt. Peck is a Fellow of the Royal Aeronautical Society. Capt. Peck is based in the United Kingdom.

Iain McLure (aged 59, British)
Chief Executive Officer

Mr. McLure is an operational specialist with a strong track record. He has over 20 years' hands-on experience of international, multi-discipline management. Between 1995 and 2013, he was CEO of Spring Global Mail, which was originally established in 2000 as a joint venture between TNT, Royal Mail and Singapore Post but is now a wholly owned subsidiary of TNT. Spring Global Mail specialises in cross-border international mail, parcel and return services for businesses including the Royal Mail with a particular focus on e-commerce, direct marketing and reverse logistics business, handling major blue chip multi-national clients like Vodafone and Office Depot. Prior to Spring Global, Iain was Commercial Director at Royal Mail International.

Iain brings practical skills in leadership, structured process, negotiation and specifically a wealth of experience in business development and growth. Iain's key strengths are strong leadership and people management and development skills, supported by solid commercial sense. He has a sound analytical and operational background and extensive experience of innovation, technology and practical problem solving. Importantly, Iain has demonstrated his ability to identify key areas of growth within businesses and enhance performance in order to maximise revenue generation and profitability.

Mr. McLure will be working with the executive team in order to consolidate the Company's strong position in the rapidly expanding UAV market.

COMPANY INFORMATION (continued)

Gerard Dempsey (aged 54, Irish)
Chief Financial Officer

Gerard is a Chartered Accountant with over 30 years' experience in senior finance roles in both multi-national corporations and start-up environments across a range of global industries Gerard was Vice President Logistics Services and Finance Director of Sandvik Mining & Construction Ireland Ltd, a global engineering firm. Prior to this, he was Chief Financial Officer of Airvod, a media technology start-up targeting the aviation sector. He also formerly held positions as Finance Director at Microsoft Ireland, Head of Finance at Guinness, Head of Corporate Treasury and Structured Financing at Diageo, and Senior Corporate Treasurer at Pfizer. Alongside his senior finance roles, Gerard worked in investment banking and risk management at Schroders Australia.

Paul Ryan (aged 50, Irish)
Non-Executive Director

Paul has 20 years of transactional, commercial and regulatory experience in the telecommunications and ICT sectors with international blue chip entities, during which he has been involved in transactions with a value in excess of US$10 billion. From 2002 to 2013, he held a variety of board positions with leading mobile operator Vodafone and its operating subsidiaries, including Head of Strategy, Regulatory and Political Affairs in Brussels and Director of Strategy and External Affairs for Vodafone Ireland and Vodafone Ghana. Prior to this, he worked as a management consultant in the European telecoms sector, served as a strategic adviser at Ofcom, the UK's communications industry regulator, and was a solicitor at leading international City law firm Ashurst. Paul is Managing Director Europe and Africa for CMAS Holdings LLC, an innovative cellular messaging alert company, where his responsibilities include high value infrastructure sales to the public sector. He acts as an adviser, primarily on strategy and public policy, to a range of clients including FTSE100 and Fortune 500 companies largely in the ICT space. Paul is a qualified solicitor in the UK and graduated from Trinity College, Dublin, Ireland.