Registered Number: 09109008

Strat Aero Plc

Annual Report and Financial Statements

For the year ended 31 December 2017

Strat Aero Plc

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CHAIRMAN'S STATEMENT

During the second half of 2017 it became clear that a fundamental change in the cost base and business model of the Group was required. As a result, in December 2017 funds were raised through a Placing and Open Offer and Board changes were initiated, with further Board changes and the closure of the training business being implemented in January 2018. Further progress has been made since, including the Geocurve survey and inspection business winning a significant £1.1m contract in February and the acquisition of 37% of Gyrometric Systems Limited in April. The Board continues to examine opportunities to grow both organically and through acquisition of complementary businesses and technologies which can enhance growth in shareholder value.

Review of 2017
During 2017 the Group sought to grow both its Survey & Inspection and Training & Education businesses.

1. **Survey & Inspection**
   In 2017 Geocurve, our wholly owned Survey & Inspection services business continued to develop organically through existing contracts with major blue-chip companies and government agencies. Geocurve continued to deliver on its CH2M contract to work on the Thames 2100 Flood Defence Project on behalf of the Environment Agency. Geocurve is a specialist in providing survey and inspection services using a diverse range of technologies including 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.

   The CH2M contract, awarded in September 2016 after a rigorous competitive tender process, 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 (a geometrically corrected series of aerial photos stitched together to create an accurate map or image), 3D model and survey products. Work on this material contract continued successfully throughout 2017. This is a prestigious project to be involved with – and one which has enormous benefits for a large number of people as the 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. Strat Aero is delighted to be involved with such highly esteemed partners on this project.

   Also in 2017, Geocurve secured a contract with ACAD Design and Surveys Ltd, a leading industrial and architectural design and survey company with a blue-chip client base including the Post Office, to provide a UAV survey in Aberdeen, Scotland. Geocurve was awarded this contract to survey a large area of land utilising its Extended Visual Line of Sight (EVLOS) permission from the Civil Aviation Authority. Geocurve applied its extensive survey experience to capture all necessary data, 3D data and UAV imagery, to enable the design phase of a new multi million pound development.

   Geocurve was also selected in 2017 as a specialist surveying partner by Integrated Water Services Ltd ('IWS'), a leading services provider to the UK water sector. Geocurve will provide UAV, bathymetric and conventional surveying services for a number of Monitoring & Evaluation projects which IWS carries out each year as part of its 5+5 Framework Contract with Northumbrian Water worth circa £8-10m per year to IWS.

   Geocurve's focus on, and continued success in, showing differentiated and unique capabilities in the survey industry puts it in a strong position entering 2018 as it continues its focus on long term high value blue chip clients.

CHAIRMAN'S STATEMENT (continued)

2. **Aviation Training, Education and Software Services**
   Strat Aero's Training business was recognised by the UK's Civil Aviation Authority (CAA) as a National Qualified Entity for UAV training design and delivery, and in 2017 developed a range of professional training solutions for both commercial and public-sector clients including the Advanced Unmanned Technical Qualification (AUTQ). Following a thorough market review the Board concluded that the small volume but potentially high value market for training UAV professionals, principally in international public sector security and military contracts, required substantially more investment than could be justified given the risks involved. Therefore, in early 2018 the Group discontinued this loss-making business.

Operational events since the year end

In January 2018 Geocurve was awarded a contract to provide an innovative technology-based 3D and Virtual Reality survey service for the Environment Agency's Thames Estuary Asset Management 2100 (TEAM2100) programme, which initially provides a fixed revenue of £1.1m over three years, followed by being selected as a specialist 'UAV Survey and Inspection' partner by Aviva plc, the multinational insurance company headquartered in the United Kingdom. This reflects Geocurve's continuing transition to becoming:

1. A leading technology-based UK provider of data rich surveying services including multi-sensors and data analytics to create 3D mapping and Virtual Reality (VR) imaging. Many of our existing clients are already showing a huge interest in VR applications, which are at the forefront of the survey industry's innovation drive and form a powerful addition to our market leading data capture and processing capabilities.

2. A leading provider of UAV ("drone") data collection and monitoring services specialising in over-flying sensitive and secure installations where sophisticated piloting skills are required and equally capable on land, in water or in the air.

Financial Overview

The Group recorded revenues of US$1,011,682 during the year ended 31 December 2017 (2016: US$862,988) generating a gross profit of US$896,548 (2016: US$593,079). Cost of sales expenses in the previous year included $105k relating to Aero Kinetics LLC (a subsidiary company) which were not incurred in 2017, this has improved the gross profit margin in 2017. Administrative costs in 2017 were reduced from 2016 with the majority of savings made by cutting staff and consultancy costs in non-value-added business areas (see note 6).

This cost base continues to be rationalised in line with the new management's strategic priorities and administrative costs for 2018 are expected to be significantly lower.

The loss for the year to 31 December 2017 after taxation was US$2,513,293 (2016: US$3,524,476). Consolidated net assets/(liabilities) at 31 December 2017 amounted to US$992,389 (2016: net liabilities of US$43,517). Cash balances at the year-end amounted to US$668,183 (2016: US$3,918). Cash balances at the date of this report are approximately £550,000 (US$730,000).

Considerable efforts were made to reduce the Company's debt including the settlement of all outstanding debts totalling US$387,000 with Mr Russell Peck, a former Director of the Company and its US subsidiary Strat Aero Inc. and one of its largest creditors and a renegotiation of the Farina loan. Post year end the Farina loan was settled in its entirety.

CHAIRMAN'S STATEMENT (continued)

During 2017, the Company attracted aggregate investment of US$2.86 million to implement the Group's operational plans. US$0.487 million (before expenses) was raised in January 2017 and US$1.09 million (before expenses) was raised in February 2017. In December 2017 a total of US$1.283 million (before expenses) was raised through a Placing and Open Offer to support a fundamental change in the cost base and business model of the Group, which has included significant board changes and the closure of the training business. As the Open Offer closed on 29 December, the US$0.527 million raised (before expenses) and the issue of new shares for the Open Offer to existing shareholders took place on 5 January 2018 and therefore is not included in the 2017 accounts.

Outlook

In April 2018 the Company announced the acquisition of 37% of the enlarged share capital of Gyrometric Systems Limited ("Gyrometric") for a cash consideration of $0.32 million. The Gyrometric technology uses proprietary software and Artificial Intelligence techniques to analyse remotely critical drive shaft performance to diagnose and predict drive system maintenance needs before catastrophic damage occurs.

The initial investment in Gyrometric provides our shareholders with a stake in a new and unique technology with promising prospects. We will continue to develop our investment in Gyrometric through close operational support and involvement and believe that it will be an important component of growth and shareholder value in the months and years ahead.

The restructured and reinvigorated Board, comprising Directors who are all significant shareholders in your Company, has made it a key objective that cash costs are covered by income. We are determined to continue to deliver value to shareholders. The Board strongly believes that funds raised from our shareholders should be utilised for investment wherever possible rather than to finance a gap between income and expenditure. Fixed costs have now been substantially reduced from those prevailing in 2017, and income at Geocurve and Gyrometric is on an upward trajectory. We are continuing to cut costs wherever possible. Strong new business prospects at Geocurve and Gyrometric allow all stakeholders to look to the future with renewed optimism.

Acknowledgments

On behalf of the Board, I would like to thank our business partners, customers, associates and valued shareholders for their continued support.

Nigel B

Nigel Burton
Chairman and Non-Executive Director
6 June 2018

STRATEGIC REPORT

The Directors present their Strategic Report on the Group for the year ended 31 December 2017.

Principal activities and business review
The principal activity of Strat Aero plc (the "Company") and its subsidiaries (together the "Group") is the provision of survey & inspections and data management & analytics.

The year under review represents the fourth year of trading for the Group. During 2017 the Group sought to consolidate its operations and established a revised strategy shortly after the 31 December 2017 year-end to move away from growth via acquisition to growth via existing business development. The Group's focus is now centred on growing the Geocurve business and investing in and providing world leading technological services with the potential through data and analysis to revolutionise monitoring and inspection services in high value and mission critical environments. 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$1,011,682 (31 December 2016: US$862,988) generating a gross profit of US$896,548 (31 December 2016: US$593,079). The loss for the year to 31 December 2017, the fourth year of trading, after taxation was US$2,513,293 (31 December 2016: US$3,524,476).

Revenues for the year of US$1,011,682 were derived primarily from the Geocurve business (31 December 2016: US$862,988). Administrative expenses amounted to US$3,516,289 (31 December 2016: US$4,189,598); a large portion of these costs comprised of wages and salaries, consultancy and professional fees and travelling expenses.

Consolidated net assets at 31 December 2017 amounted to US$992,389 (31 December 2016: net liabilities US$43,517). Cash balances at the year-end amounted to US$668,183 (31 December 2016: US$3,918).

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 27 of the Financial Statements.

Key performance indicators

	Year ended 31 December 2017 US$	Year ended 31 December 2016 US$
Revenue	**1,011,682**	862,988
Gross profit	**896,548**	593,079
Gross margin	**88.6%**	68.7%
Administrative expenses	**3,516,289**	4,189,598
Loss after tax for the year	**2,513,293**	3,524,476
Earnings per share (cents)	**(0.13)**	(1.38)
Net assets/(liabilities)	**992,389**	(43,517)
Cash and cash equivalents	**668,183**	3,918

Cost of sales expenses in the previous year included $105k relating to Aero Kinetics LLC (a subsidiary company) which were not incurred in 2017. This has improved the gross profit margin in 2017.

STRATEGIC REPORT

Administrative costs in 2017 were reduced from 2016 with the majority of savings made by cutting staff and consultancy costs in non-value-added business areas (see note 6).

Current trading and future developments
The Group continues to make progress across all elements of its business with new commercial opportunities opening up for Geocurve. Geocurve, which won a significant £1.1m contract in February 2018, is expected to be self-financing in 2018. In April 2018 the Group announced the acquisition of 37% of Gyrometric, which has developed a unique system for reliably collecting, analysing and monitoring digital data from rotating shafts over a wide range of speeds and shaft sizes. The Group continues to review opportunities for complementary acquisitions involving data collection and analysis using the latest available technology including artificial intelligence and real time reporting using the internet of things.

Principal risks and uncertainties
There are risks associated with the Group's business. The Board regularly reviews the risks to which the Group is exposed and has in place a strategy to mitigate these risks as far as possible. The following summary, which is not exhaustive, outlines some of the key risks and uncertainties facing the Group at its present stage of development:

Operating risks
The responsibility of overseeing the day-to-day operations and the strategic management of the Group depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Group if one or more of these employees cease their employment.

The Group's business planning is carried out on the basis of expected future work. The Group is reliant upon securing new contracts. There is a risk that expected contracts will not be won. The directors mitigate this risk by monitoring the pipeline of future contracts.

The operations of the Group may be affected by various factors, including operational and technical difficulties; difficulties in commissioning and operating plant and equipment; equipment failure or breakdown and adverse weather conditions which may impact surveying operations.

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.

STRATEGIC REPORT (continued)

This Strategic Report was approved by the Board of Directors and authorised for issue on 6 June 2018 by:

Nigel B

Nigel Burton
Chairman and Non-Executive Director

DIRECTORS' REPORT

The Directors present their Report together with the audited Financial Statements for the year ended 31 December 2017.

General information

The principal activity of Strat Aero plc (the "Company") and its subsidiaries (together the "Group") is the provision of survey & inspections and data management & analytics.

Dividends

The Directors do not recommend payment of a dividend (31 December 2016: $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 2017 No.	Ordinary Shares Interest at 31 December 2016 No.	**Warrants Interest at 31 December 2017 No.**	Warrants Interest at 31 December 2016 No.
Graham Peck [1]	6,669,551	6,669,551	-	-
Iain McLure [2]	142,857,143	-	100,000,000	-
Gerard Dempsey [3]	25,560,000	560,000	25,000,000	-
Paul Ryan [4]	152,857,143	400,000	110,000,000	-
Trevor Brown[5]	857,142,857	-	428,571,429	-
Nigel Burton[6]	-	-	-	-

1. Includes 1,000,000 shares held by the wife of Graham Peck. Resigned 29 January 2018.
2. Includes 42,857,143 ordinary shares held by Scotnl Consulting B.V., a company controlled by Mr McLure. Appointed on 1 April 2016 and resigned 29 January 2018.
3. Resigned 12 January 2018
4. Shares held by Warande1970 BVBA, a company controlled by Mr Ryan
5. Appointed 20 December 2017
6. Appointed 12 January 2018. Held 71,428,571 warrants at 31 December 2017

Major shareholdings

The closing mid-market price of the Company's Ordinary 0.01p Shares at 31 December 2017 was 0.04p. Shareholders holding more than 3% of the Company's shares at the date of this report were:

	Ordinary shares	**%**
Trevor Brown	1,457,142,857	23.60
Interactive Investor Services Nominees Limited	779,716,580	12.63
Hargreaves Lansdown (Nominees) Limited	438,514,397	7.10
HDSL Nominees Limited	365,089,812	5.91
Warande 1970 BVBA (controlled by Paul Ryan)	339,267,770	5.50
Pershing Nominees Limited	338,571,474	5.48
Nigel Burton	214,285,714	3.47

Strat Aero Plc

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 18. Since 31 December 2017 the Company has raised additional capital as set out below. Further information is set out in note 27 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 0.01p 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 additional 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 £0.688m 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 in terms of quantum or timing then the Group will put in place cost cutting measures 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.

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.

Events after the reporting year

On 5 January 2018 the Company issued 1,173,624,395 new ordinary shares of 0.01p each at a price of 0.035p per share raising £410,768. 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 10 January 2018 the Company issued 135,714,286 new ordinary shares of 0.01p at a price of 0.035p per share in consideration for outstanding fees payable by the Company to an adviser.

DIRECTORS' REPORT (continued)

On 16 January 2018 the Company issued 85,714,286 new ordinary shares of 0.01p at a price of 0.035p per share as a result of an exercise of warrants.

On 24 January 2018 the Company issued 35,714,286 new ordinary shares of 0.01p at a price of 0.035p per share as a result of an exercise of warrants.

On 31 January 2018 the Company issued 114,285,714 new ordinary shares of 0.01p at a price of 0.035p per share as a result of an exercise of warrants.

On 21 April 2018 the Company issued 557,142,857 new ordinary shares of 0.01p at a price of 0.035p per share as a result of an exercise of warrants. These warrants were exercised by directors and are listed in the directors' transactions below.

In January 2018, the Training and Education segment of the business was ceased. Following a thorough market review the Board concluded that the small volume but potentially high value market for training UAV professionals, principally in international public sector security and military contracts, required substantially more investment than could be justified given the risks involved. Therefore, in early 2018 the Company discontinued this loss-making business.

On 9 April 2018 the Company announced the acquisition of 37% of the enlarged share capital of Gyrometric Systems Limited ("Gyrometric") for a cash consideration of $0.32m.

On 5 June 2018 the Company issued 218,571,428 new ordinary shares of 0.01p at a price of 0.035p per share as a result of an exercise of warrants.

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

Nigel B

Nigel Burton
Chairman and Non-Executive Director
6 June 2018

Strat Aero Plc

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 Parent Company and of the profit or loss of the Group and Parent Company 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 Group and Parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company 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

Nigel B

Nigel Burton
Chairman and Non-Executive Director
6 June 2018

CORPORATE GOVERNANCE STATEMENT
As at 31 December 2017

From 28th September 2018 as an AIM company, the Company is required to maintain on its website details of a recognised corporate governance code, how the Company complies with this code and an explanation of any departure from the code. The information will need to be reviewed annually and the website should include the date on which the information was last reviewed. This is likely to be reviewed at the same time as the Annual Report and Accounts are prepared. The Directors have sought to address these new requirements in a timely manner and have set out below Strat Aero's Corporate Governance Report.

The Directors recognise the importance of sound corporate governance. As a company whose shares are traded on AIM, the Board has concluded that it will seek to comply with the Quoted Companies Alliance's Corporate Governance Code ("the QCA Code"). In addition, the Directors have adopted a code of conduct for dealings in the shares of the Company by directors and employees and are committed to maintaining the highest standards of corporate governance. Paul Ryan, in his capacity as Non-Executive Director, has assumed responsibility for ensuring that the Company has appropriate corporate governance standards in place and that these requirements are followed and applied within the Company as a whole. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board. The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. A large part of the Company's activities is centred upon what needs to be an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company successfully to achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does.

The key governance related matter that occurred during the financial year ended 31 December 2017 was the appointment of Trevor Brown to the Board. Post year end saw the retirement of Graham Peck, Iain McLure and Gerard Dempsey as directors of the Company and from all their positions within the Company and the appointment of Dr Nigel Burton as Non-Executive Director all in January 2018. The Board successfully implemented this transition and acted effectively in order to ensure continuity.

Corporate Governance Report

The QCA Code sets out 10 principles that should be applied. These are listed below together with a short explanation of how the Company applies each of the principles:

Principle One
Business Model and Strategy
The Board has concluded that the highest medium and long term value can be delivered to its shareholders by the adoption of a single strategy for the Company. The Company's interests in both Geocurve and Gyrometric are active and strategic investments and these are both companies where the Company continues to hold significant stakes, where we remain actively involved with the development of the company with, the Company being represented on the board of the entities and where we believe that the returns that are possible are material. The Company will continue to seek to grow both businesses organically and will seek out further complementary acquisitions that create enhanced value.

CORPORATE GOVERNANCE STATEMENT (continued)
As at 31 December 2017

Principle Two
Understanding Shareholder Needs and Expectations
The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its private shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. Investors also have access to current information on the Company though its website, www.strat-aero.co.uk, and via Trevor Brown, CEO who is available to answer investor relations enquiries.

Principle Three
Considering wider stakeholder and social responsibilities
The Board recognises that the long term success of the Company is reliant upon the efforts of the employees of the Company and its contractors, suppliers, regulators and other stakeholders. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. For example, all employees of the Company participate in a structured Company-wide annual assessment process which is designed to ensure that there is an open and confidential dialogue with each person in the Company to help ensure successful two way communication with agreement on goals, targets and aspirations of the employee and the Company. These feedback processes help to ensure that the Company can respond to new issues and opportunities that arise to further the success of employees and the Company. The Company has close ongoing relationships with a broad range of its stakeholders and provides them with the opportunity to raise issues and provide feedback to the Company.

Principle Four
Risk Management
In addition to its other roles and responsibilities, the Audit and Compliance Committee is responsible to the Board for ensuring that procedures are in place and are being implemented effectively to identify, evaluate and manage the significant risks faced by the Company. The risk assessment matrix below sets out those risks, and identifies their ownership and the controls that are in place. This matrix is updated as changes arise in the nature of risks or the controls that are implemented to mitigate them. The Audit and Compliance Committee reviews the risk matrix and the effectiveness of scenario testing on a regular basis. The following principal risks and controls to mitigate them, have been identified:

Activity	Risk	Impact	Control(s)
Management	Recruitment and retention of key staff	Reduction in operating capability	Stimulating and safe working environment Balancing salary with longer term incentive plans
Regulatory adherence	Breach of rules	Censure or withdrawal of authorisation	Strong compliance regime instilled at all levels of the Company
Strategic	Damage to reputation Inadequate disaster recovery procedures	Inability to secure new capital or clients Loss of key operational and financial data	Effective communications with shareholders coupled with consistent messaging to our customers Robust compliance Secure off-site storage of data

CORPORATE GOVERNANCE STATEMENT (continued)
As at 31 December 2017

Activity	Risk	Impact	Control(s)
Financial	Liquidity, market and credit risk Inappropriate controls and accounting policies	Inability to continue as going concern Reduction in asset values Incorrect reporting of assets	Robust capital management policies and procedures Appropriate authority and investment levels as set by Treasury and Investment Policies Audit and Compliance Committee

The Directors have established procedures, as represented by this statement, for the purpose of providing a system of internal control. An internal audit function is not considered necessary or practical due to the size of the Company and the close day to day control exercised by the executive directors. However, the Board will continue to monitor the need for an internal audit function. The Board works closely with and has regular ongoing dialogue with the Company financial controller and has established appropriate reporting and control mechanisms to ensure the effectiveness of its control systems.

Principle Five
A Well Functioning Board of Directors
As at the date hereof the Board comprised, the CEO Trevor Brown, and two Non-Executive Directors, Dr Nigel Burton and Paul Ryan. Biographical details of the current Directors are set out within Principle Six below. Executive and Non-Executive Directors are subject to re-election at intervals of no more than three years. The letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours. All the Directors including the Non-Executive Directors are considered to be part time but are expected to provide as much time to the Company as is required. The Board elects a Chairman to chair every meeting.

The Board meets at least eight times per annum. It has established an Audit and Compliance Committee and a Remuneration Committee, particulars of which appear hereafter. The Board has agreed that appointments to the Board are made by the Board as a whole and so has not created a Nominations Committee. Both the CEO and the Non-Executive Directors are considered to be part time but are expected to provide as much time to the Company as is required. The Board considers that this is appropriate given the Company's current stage of operations. It shall continue to monitor the need to match resources to its operational performance and costs and the matter will be kept under review going forward. Paul Ryan is considered to be an Independent Director. The Board notes that the QCA recommends a balance between executive and non-executive Directors and recommends that there be two independent non-executives. The Board shall review further appointments as scale and complexity grows.

Attendance at Board and Committee Meetings
The Company shall report annually on the number of Board and committee meetings held during the year and the attendance record of individual Directors. To date in the current financial year the Directors have a 100% record of attendance at such meetings. In order to be efficient, the Directors meet formally and informally both in person and by telephone. To date there have been at least bi-monthly meetings of the Board, and the volume and frequency of such meetings is expected to continue at this rate.

CORPORATE GOVERNANCE STATEMENT (continued)
As at 31 December 2017

Principle Six
Appropriate Skills and Experience of the Directors
The Board currently consists of three Directors and, in addition, the Company has employed the outsourced services of MSP Secretaries Limited to act as the Company Secretary. The Company believes that the current balance of skills in the Board as a whole, reflects a very broad range of commercial and professional skills across geographies and industries and each of the Director's has experience in public markets.

The Board recognises that it currently has a limited diversity and this will form a part of any future recruitment consideration if the Board concludes that replacement or additional directors are required.

The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal.

Trevor E Brown MBA
Chief Executive Officer
Trevor has acted as a CEO, executive director and non-executive director for a wide range of companies in a range of sectors over 50 years. This has provided him with a vast amount of experience through the many long term economic and corporate life cycles that mean he is highly qualified to assess the opportunities and risks for both the Company and its portfolio of investee companies. This wide ranging experience is kept up to date through his continued participation in a variety of businesses where the Company has a holding and in other companies that are unconnected to the Company. Trevor is also a member of the Company's Remuneration Committee.

Trevor is also currently a director of Flying Brands plc and a Non-executive Director of Braveheart Investment Company plc. Trevor joined the Board of as an Executive Director in December 2017 and became the Chief Executive in January 2018.

Dr Nigel Burton
Chairman and Non-Executive Director
Dr Nigel Burton has over 25 years' experience in operational and financial management, debt and equity financing, acquisition and integration of businesses, disposals, IPOs and trade sales. Following over 14 years as an investment banker at leading City institutions including UBS Warburg and Deutsche Bank, including as the Managing Director responsible for the energy and utilities industries, Nigel has spent 15 years as Chief Financial Officer of a number of private and public companies, including Navig8 Product Tankers Inc, PetroSaudi Oil Services Limited, Advanced Power AG, and Granby Oil and Gas plc. Nigel is currently Chief Executive Officer of Nu-Oil and Gas plc and Chairman of Polemos plc, both of which are listed on AIM, and until March 2018 was a Non-Executive Director of AIM listed Management Resource Solutions plc. Nigel is a Chartered Electrical Engineer and a Past President of the Institution of Engineering and Technology. He has a B.Sc. (First Class Hons) in Electrical and Electronic Engineering and a Ph.D in Acoustic Imaging from University College London.

Mr Paul Ryan
Independent Non-Executive Director
Mr Ryan has over 20 years' experience at board level largely in the telecoms and ICT sectors. 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. Mr Ryan acts as an adviser, primarily on strategy, regulation and public policy, to a range of clients including FTSE100 and Fortune 500 companies largely in the ICT space.   Mr Ryan has an LLB from Trinity College, Dublin, Ireland and qualified as a solicitor in the UK.

CORPORATE GOVERNANCE STATEMENT (continued)
As at 31 December 2017

Principle Seven
Evaluation of Board Performance
Internal evaluation of the Board, the Committee and individual Directors is to be undertaken on an annual basis in the form of peer appraisal and discussions to determine the effectiveness and performance in various as well as the Directors' continued independence.

The results and recommendations that come out of the appraisals for the directors shall identify the key corporate and financial targets that are relevant to each Director and their personal targets in terms of career development and training. Progress against previous targets shall also be assessed where relevant.

Principle Eight
Corporate Culture
The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board. The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. A large part of the Company's activities is centred upon what needs to be an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great import on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. The Company has adopted, with effect from the date on which its shares were admitted to AIM, a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

Principle Nine
Maintenance of Governance Structures and Processes
Ultimate authority for all aspects of the Company's activities rests with the Board, the respective responsibilities of the Chairman and Chief Executive Officer arising as a consequence of delegation by the Board. The Board has adopted appropriate delegations of authority which set out matters which are reserved to the Board. The Chairman is responsible for the effectiveness of the Board, while management of the Company's business and primary contact with shareholders has been delegated by the Board to the Chief Executive Officer.

Audit and Compliance Committee
During the financial year ended 31st December 2017 the Audit and Compliance Committee was chaired by Paul Ryan. Since his appointment in January 2018 Dr Nigel Burton joined Mr Ryan on the Committee. This committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported. It receives reports from the executive management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit and Compliance Committee shall meet not less than twice in each financial year and it has unrestricted access to the Company's auditors.

Strat Aero Plc

CORPORATE GOVERNANCE STATEMENT (continued)

As at 31 December 2017

Remuneration Committee

The Remuneration Committee comprises Paul Ryan and Trevor Brown, and Paul Ryan chairs this committee. The Remuneration Committee reviews the performance of the executive directors and employees and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also considers and approves the granting of share options pursuant to the share option plan and the award of shares in lieu of bonuses pursuant to the Company's Remuneration Policy.

Nominations Committee

The Board has agreed that appointments to the Board will be made by the Board as a whole and so has not created a Nominations Committee.

Non-Executive Directors

The Board has adopted guidelines for the appointment of Non-Executive Directors which have been in place and which have been observed throughout the year. These provide for the orderly and constructive succession and rotation of the Chairman and non-executive directors insofar as both the Chairman and non-executive directors will be appointed for an initial term of three years and may, at the Board's discretion believing it to be in the best interests of the Company, be appointed for subsequent terms. The Chairman may serve as a Non-Executive Director before commencing a first term as Chairman.

In accordance with the Companies Act 2006, the Board complies with: a duty to act within their powers; a duty to promote the success of the Company; a duty to exercise independent judgement; a duty to exercise reasonable care, skill and diligence; a duty to avoid conflicts of interest; a duty not to accept benefits from third parties and a duty to declare any interest in a proposed transaction or arrangement.

Principle Ten

Shareholder Communication

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its private shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting.

Investors also have access to current information on the Company though its website, www.strat-aero.co.uk, and via Trevor Brown, CEO, who is available to answer investor relations enquiries. The Company proposes in 2018, subject to the necessary formalities, to move to electronic communications with shareholders in order to maximise efficiency.

The Company shall include, when relevant, in its annual report, any matters of note arising from the audit or remuneration committees.

Paul Ryan
Non-Executive Director

6 June 2018

INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2017

Independent Auditor's Report to the Members of Strat Aero plc

Opinion

We have audited the financial statements of Strat Aero Plc (the 'company') and its subsidiaries (the 'Group') for the year ended 31 December 2017 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 to the financial statements, including a summary of significant accounting policies. 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.

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 2017 and of the Group's and parent company's loss for the year then ended;
- the Group and parent company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT (continued)
For the year ended 31 December 2017

Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. Materiality for the consolidated financial statements was set as $49,000 (2016: $44,000) based upon revenue, profit before tax and gross assets. Materiality for the parent company financial statements was also $49,000 (2016: $44,000) with the same benchmarks being used.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the Directors and considered future events that are inherently uncertain. As in all our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud. The Company and Group finance function is based from one location in the United Kingdom. All material subsidiaries were within our audit scope and audited at this location.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (continued)
For the year ended 31 December 2017

Key Audit Matter	How the scope of our audit responded to the key audit matter
Revenue Recognition	
The Group generates revenue from differing streams being consultancy and survey, training and software services. There is an inherent risk around the accuracy of revenue due to the differing recognition and performance criteria for each stream.	Our work included: ▪ Updating our understanding of the internal control environment in operation for the significant revenue streams and undertaking a walk-through to ensure that the key controls within these systems have been operating in the period under audit; ▪ Substantive transactional testing of revenue recognised in the Financial Statements across the different streams; ▪ Reviewing the key contractual terms and terms of business with customers to identify the material performance obligations; ▪ A review of post-year end invoices, credit notes and cash receipts to ensure completeness of income recorded in the accounting period; and ▪ We also considered the application of the Group's accounting policies and their appropriateness to the revenues being incurred. Based on our work, we noted no significant issues on the accuracy of revenue recorded in the year.

INDEPENDENT AUDITOR'S REPORT (continued)
For the year ended 31 December 2017

Key Audit Matter	How the scope of our audit responded to the key audit matter
Impairment of Intangible assets	
The Group carries a material amount of intangible assets ($1,080,306) that have arisen from past business combinations. There is a risk that the intangible assets are impaired and are therefore overstated in the financial statements.	Our work included: ▪ Reviewed management's value in use calculations; ▪ Considered management's strategy including all notifications made to the market concerning business lines that have been discontinued post year-end; ▪ Discussed the basis of key assumptions with management, in particular, regarding revenue, margins and cashflow forecasts; ▪ Performed sensitivity analysis on the headroom to changes in key assumptions; ▪ Considered internal and external impairment indicators; and ▪ Assessed the accuracy of managed budgets and forecasts used in prior calculations. The carrying value of intangible assets of $1,080,306 relates solely to the Geocurve acquisition. All other intangible assets have been fully impaired in the year.

INDEPENDENT AUDITOR'S REPORT (continued)
For the year ended 31 December 2017

Key Audit Matter	**How the scope of our audit responded to the key audit matter**
Valuation and impairment of investments	
The carrying value of investments in subsidiaries was ($1,823,198) in the parent company financial statements. The recoverability value of the investments is reliant upon the subsidiary undertakings being able to generate sufficient returns from their activities to support their carrying value.	We performed an impairment review of the carrying value of the Company's investments in its subsidiaries. Our work included: ▪ Verification of ownership; ▪ Discussing with management the basis for impairment or non-impairment, including consideration of business strategy for the subsidiaries, and challenging any assumptions made thereon; ▪ Obtaining management prepared net present value calculations for subsidiaries and assessing the competency of the preparer, the mathematical accuracy of the calculations and the reasonableness of all key inputs used; and ▪ Reviewing the impairment indicators per IFRS and assessing how they applied it to the investments held. No impairment was made in respect of the investment held in Geocurve Limited. Investments held in Strat Aero International Inc, Strat Aero International Limited and Strat Aero Holdings Inc were impaired to $nil.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters 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 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 strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT (continued)
For the year ended 31 December 2017

Use of our report

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.

Joseph Archer

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

1 Westferry Circus
Canary Wharf
London E14 4HD

6 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

Continuing operations	Note	Year ended 2017 US$	Year ended 2016 US$
Revenue	5	**1,011,682**	862,988
Cost of sales		**(115,134)**	(269,909)
Gross profit		**896,548**	593,079
Administration expenses	6	**(3,516,289)**	(4,189,598)
Other income		**30,136**	-
(Loss)/gain on foreign exchange	6	**(51,609)**	3,292
Impairment	13	**(199,838)**	-
Operating loss		**(2,841,052)**	(3,593,227)
Finance costs	10	**(99,081)**	(43,441)
Finance income		**15**	34
Loss before income tax		**(2,940,118)**	(3,636,634)
Income tax credit	11	**426,825**	112,158
Loss for the year attributable to owners of the parent		**(2,513,293)**	(3,524,476)
Other Comprehensive Income			
Items that may be subsequently reclassified to profit or loss:			
Currency translation difference		**218,046**	53,029
Total comprehensive income for the year attributable to owners of the parent		**(2,295,247)**	(3,471,447)
Earnings per ordinary share attributable to owners of the parent during the year *(expressed in cents per share)*			
Basic and diluted	12	**(0.13)**	(1.38)

The notes on page 31 to 58 form part of these Financial Statements.

Strat Aero Plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	2017 US$	2016 US$
Non-current assets			
Intangible assets	13	**1,080,306**	1,763,384
Property, plant and equipment	14	**117,285**	179,189
Total non-current assets		**1,197,591**	1,942,573
Current Assets			
Trade and other receivables	16	**443,606**	210,255
Cash and cash equivalents	17	**668,183**	3,918
Total current assets		**1,111,788**	214,173
TOTAL ASSETS		**2,309,380**	2,156,746
Equity attributable to owners of the parent			
Share capital	18	**6,358,586**	4,130,803
Share premium	18	**8,098,321**	7,217,308
Share-based payments	20	**(529,129)**	(751,486)
Translation reserve		**235,157**	17,111
Retained loss		**(13,170,546)**	(10,657,253)
TOTAL EQUITY		**992,389**	(43,517)
Current liabilities			
Trade and other payables	21	**943,281**	1,323,866
Borrowings	22	**156,494**	98,688
Total current liabilities		**1,099,775**	1,422,554
Non-current liabilities			
Borrowings	22	**-**	417,555
Deferred tax liabilities	23	**217,216**	360,154
Total non-current liabilities		**217,216**	777,709
TOTAL LIABILITIES		**1,316,991**	2,200,263
TOTAL EQUITY AND LIABILTIES		**2,309,380**	2,156,746

The notes on page 31 to 58 form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors and authorised for issue on 6 June 2018 and were signed on its behalf by:

Nigel B

Nigel Burton
Non-Executive Director

Strat Aero Plc

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2017
Company number: 09109008

	Note	2017 US$	2016 US$
Non-current assets			
Intangible assets	13	**-**	92,520
Property, plant and equipment	14	**2,835**	2,575
Investment in subsidiary undertakings	15	**1,268,481**	1,177,957
Trade and other receivables	16	**554,717**	1,706,103
Total non-current assets		**1,826,033**	2,979,155
Current Assets			
Trade and other receivables	16	**201,447**	74,928
Cash and cash equivalents	17	**639,808**	2,065
Total current assets		**841,255**	76,993
TOTAL ASSETS		**2,667,288**	3,056,148
Equity attributable to shareholders			
Share capital	18	**6,358,586**	4,130,803
Share premium	18	**8,098,321**	7,217,308
Other reserves	20	**327,969**	105,612
Translation reserve		**(218,009)**	(627,680)
Retained loss		**(12,464,308)**	(8,658,527)
TOTAL EQUITY		**2,102,559**	2,167,516
Current liabilities			
Trade and other payables	21	**418,605**	789,944
Borrowings	22	**146,124**	98,688
Total current liabilities		**564,729**	888,632
TOTAL LIABILITIES		**564,729**	888,632
TOTAL EQUITY AND LIABILITIES		**2,667,288**	3,056,148

The notes on page 31 to 58 form part of these Financial Statements.

The loss for the financial year dealt with in the financial statements of the Parent Company, Strat Aero plc, was US$3,805,781 (2016: loss of US$2,269,311). As permitted by Section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the Parent Company.

These Financial Statements were approved by the Board of Directors and authorised for issue on 6 June 2018 and were signed on its behalf by:

Nigel B

Nigel Burton
Non-Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2017

	Attributable to equity shareholders					
	Share capital US$	**Share premium US$**	**Other reserves US$**	**Translation reserve US$**	**Retained loss US$**	**Total US$**
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
Share Based Payments – Aero Kinetics[2]	-	-	(120,365)	-	-	(120,365)
Share Based Payments – 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)**
As at 1 January 2017	**4,130,803**	**7,217,308**	**(751,486)**	**17,111**	**(10,657,253)**	**(43,517)**
Loss for the year					(2,513,293)	(2,513,293)
Other comprehensive income for the year						
Currency translation difference	-	-	-	218,046	-	218,046
Total comprehensive income for the year	**-**	**-**	**-**	**218,046**	**(2,513,293)**	**(2,295,247)**
Proceeds from shares issued (net of costs)	1,763,146	376,988	-	-	-	2,140,134
Non cash share issues[1]	464,637	504,025	-	-	-	968,662
Share Based Payments issued – Other[4]	-	-	248,532	-	-	248,532
Share Based Payments expired – Other[5]	-	-	(26,175)	-	-	(26,175)
Transactions with owners, recognised directly in equity	**2,227,783**	**881,013**	**222,357**	**-**	**-**	**3,331,153**
As at 31 December 2017	**6,358,586**	**8,098,321**	**(529,129)**	**235,157**	**(13,170,546)**	**992,389**

The notes on page 31 to 58 form part of these Financial Statements.

[1] Issue of shares where no cash consideration was received.

[2] Share Based Payments – Aero Kinetics represents the expiry of warrants that were initially issued on the acquisition of Aero Kinetics by the Strat Aero Group. The warrants expired on settlement of the Aero Kinetics related litigation.

[3] Share Based Payments – Other are warrants that have expired in the previous financial year.

[4] Share Based Payments issued – Other are warrants that have been issued in the current financial year.

[5] Share Based Payments expired – Other are warrants that have expired in the current financial year.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31 December 2017

	Share capital US$	Share premium US$	Other reserves US$	Translation reserve US$	Retained earnings US$	Total US$
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[1]	624,082	682,438	-	-	-	1,306,520
Share Based Payments – Aero Kinetics[2]	-	--	(120,365)	-	-	(120,365)
Share Based Payments – 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**	**105,612**	**(627,680)**	**(8,658,527)**	**2,167,516**
As at 1 January 2017	**4,130,803**	**7,217,308**	**105,612**	**(627,680)**	**(8,658,527)**	**2,167,516**
Loss for the year	-	---	--	-	(3,805,781)	(3,805,781)
Other comprehensive income for the year						
Currency translation difference	-	--	-	409,671	-	409,671
Total comprehensive income for the year	**-**	**--**	**-**	**409,671**	**(3,805,781)**	**(3,396,110)**
Proceeds from shares issued (net of costs)	1,763,146	376,988	--	-	-	2,140,134
Non cash share issues[1]	464,637	504,025	--	-	-	968,662
Share Based Payments issued – Other[4]	-	-	248,532	-	-	248,532
Share Based Payments expired – Other[5]	-	-	(26,175)	-	-	(26,175)
Transactions with owners, recognised directly in equity	**2,227,783**	**881,013**	**222,357**	**-**	**-**	**3,331,153**
As at 31 December 2017	**6,358,586**	**8,098,321**	**327,969**	**(218,009)**	**(12,464,308)**	**2,102,559**

The notes on page 31 to 58 form part of these Financial Statements.

[1] Issue of shares where no cash consideration was received.

[2] Share Based Payments – Aero Kinetics represents the expiry of warrants that were initially issued on the acquisition of Aero Kinetics by the Strat Aero Group. The warrants expired on settlement of the Aero Kinetics related litigation.

[3] Share Based Payments – Other are warrants that have expired in the previous financial year.

[4] Share Based Payments issued – Other are warrants that have been issued in the current financial year.

[5] Share Based Payments expired – Other are warrants that have expired in the current financial year.

Strat Aero Plc

CASH FLOW STATEMENTS

As at 31 December 2017

	Note	Group 2017 US$	Group 2016 US$	Company 2017 US$	Company 2016 US$
Cash Flows from Operating Activities					
Loss for the year before tax		**(2,940,118)**	(3,636,634)	**(3,949,901)**	(2,381,459)
Depreciation of property, plant and equipment		**82,058**	176,206	**695**	992
Amortisation of intangible assets		**450,592**	425,787	**39,852**	40,671
Share based payments		**248,532**	14,889	**248,532**	14,889
Impairments		**199,838**	-	**2,606,094**	1,218,651
Interest income		**(15)**	(34)	**(12)**	(15)
Finance costs		**99,081**	43,441	**93,062**	34,402
Foreign exchange		**369,686**	71,484	**337,965**	(15,454)
Taxation		**272,688**	112,158	**144,121**	112,148
Decrease/(Increase) in trade and other receivables		**(233,350)**	252,559	**1,024,867**	100,527
(Decrease)/Increase in trade and other payables		**10,531**	(314,832)	**(371,339)**	129,476
Cash used in operations		**(1,440,477)**	(2,854,976)	**173,936**	(745,172)
Interest expense		**(99,081)**	(43,441)	**12**	(34,402)
Net cash used in operating activities		**(1,539,558)**	(2,898,417)	**173,948**	(799,574)
Cash Flows from Investing Activities					
Purchases of intangible assets	13	**-**	(1,086)	**-**	-
Purchases of property, plant and equipment	14	**(74,599)**	-	**(754)**	-
Proceeds from sale of property, plant and equipment		**62,289**	-	**-**	-
Interest income		**15**	34	**12**	15
Loans to subsidiary undertakings		**-**	-	**(1,753,132)**	(1,780,134)
Net cash (used in)/generated from investing activities		**(12,295)**	(1,052)	**(1,753,874)**	(1,780,119)
Cash Flows from Financing Activities					
Net proceeds from borrowings	22	**39,852**	98,688	**39,852**	98,688
Issue of shares, net of issue costs		**2,140,134**	1,520,229	**2,140,134**	1,520,229
Net cash generated from financing activities		**2,179,986**	1,618,917	**2,179,986**	1,618,917
Net (Decrease)/increase in cash and cash equivalents		**628,133**	(1,280,552)	**600,060**	(940,776)
Exchange gains/(losses) on cash and cash equivalents		**36,132**	(200,787)	**37,683**	(188,463)
Cash and cash equivalents at beginning of year		**3,918**	1,485,257	**2,065**	1,131,304
Cash and cash equivalents at 31 December 2017	17	**668,183**	3,918	**639,808**	2,065

The notes on page 31 to 58 form part of these Financial Statements.

Shareholder loans totalling $391,115 were settled in shares during the year. This is a non-cash movement.

1 General information

Strat Aero plc (the "Company") and its subsidiaries (together the "Group") undertake survey & inspection services, including data management & analytics. During 2017 the Group also provided training and education services, which were discontinued in early 2018. The Company is incorporated and domiciled in the UK and its registered office is Ground Floor, Tintagel House, London Road, Kelvedon, Essex, CO5 9BP.

The Company's shares are quoted on the Alternative Investment Market ("AIM") 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 (IFRS IC) 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 2018-2022, and for managing working capital, in particular for the twelve months from the date of approval of the Financial Statements.

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 24.

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.

(c) New and amended standards

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

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

There were no IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning 1 January 2017 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
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
IAS 28 (Amendments)	Accounting for Investments - Applying the Consolidation Exception	Postponed
IAS 40 (Amendments)	Transfers of Investment Property	*1 January 2018
IFRS 10 (Amendments)	Consolidated Financial Statements: Applying the Consolidation Exception	Postponed
IFRS 15 (Clarifications)	Revenue from Contracts with Customers	*1 January 2018
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	*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. Management have reviewed IFRS 15 and IFRS 9 in detail and they do not believe that they will have any material impact on revenue recognition or the classification and measurement of financial instruments in the financial statements.

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.

The Directors concluded that the transaction fell outside the scope of IFRS 3 "Business Combinations" (Revised 2008) since the transaction described above represents a combination of entities under common control. The Directors felt that FRS 6 – Acquisitions and mergers, which does not conflict with IFRS, more accurately reflected 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 income. No fair value adjustments have been made as a result of the combination.

All entities had the same management as well as majority shareholders.

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 has 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, three 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, other than goodwill, 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) Trade and other receivables

Trade receivables are amounts due from customers for 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.

(n) 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.

(o) Share capital and reserves

Equity comprises the following:

- "Share Capital" represents ordinary shares issued at par value and includes "Deferred Shares" below
- "Deferred Shares" represents notional shares arising on the redenomination of the nominal share capital from 1p to 0.1p on 11 August 2016 and 0.1p to 0.01p on 17 October 2017. The Deferred Shares form part of the Share Capital balance shown in the Statement of Financial Position.
- "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. The merger reserve is presented in "other reserves".
- Share option and warrants 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.

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

(q) 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.

(r) 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.

(s) Revenue recognition

During 2017 the Group generated 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 were recognised on these products at the point of sale and when services were 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 Group closed down the consultancy and pilot training divisions shortly after the year end.

(t) Current and deferred income tax

The tax 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.

(u) 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.

The Group test annually whether intangible assets, which have a carrying value as at 31 December 2017 of US$1,080,306, have suffered any impairment, in accordance with the accounting policy. Where applicable, the recoverable amounts of cash generating units have been determined based on value in use calculations. The value in use calculations require the entity to estimate future cash flows expected to arise from the cash generating unit and apply a suitable discount rate in order to calculate present value. These calculations require the use of estimates (Note 13).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

5 Segmental analysis

Management considers that during 2017 there were two activities, being the provision survey and inspection services, and aviation training, education and software services in respect of aviation. This segmental analysis is reflected in the Consolidated Group Statements set out herein.

Total revenue comprises:

Revenue from external customers:	**2017 US$**	**2016 US$**
Survey & Inspection	**818,618**	839,271
Aviation Training, Education & Software Services	**193,064**	23,717
	1,011,682	862,988

Revenues are generated in a number of countries analysed as to:	**2017 US$**	**2016 US$**
United Kingdom	**816,795**	681,474
Europe	**21,254**	-
United States of America	**107,052**	157,797
South East Asia	**66,581**	23,717
	1,011,682	862,988

The following customers generated more than 10% of the Group's revenue:	**2017 US$**	**2016 US$**
Customer 1	**303,783**	150,796
Customer 2	**161,932**	130,337
Customer 3	**79,561**	88,681
Customer 4	**78,675**	60,577
Customer 5	**51,280**	-
	675,231	430,391

Carrying amount of assets

	2017 US$	**2016 US$**
United Kingdom	**2,258,416**	1,762,982
United States of America	**50,964**	393,764
	2,309,380	2,156,746

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

Carrying amount of liabilities

	2017 US$	2016 US$
United Kingdom	**1,005,344**	1,461,083
United States of America	**311,647**	739,180
	1,316,991	2,200,263

6 Operating expenses by nature

	2017 US$	2016 US$
PR, marketing and advertising	**45,899**	139,747
Wages, salaries and other staff costs (note 7)	**1,366,639**	1,764,831
Depreciation	**82,058**	176,206
Amortisation	**450,592**	425,787
Operating lease expenses	**117,745**	161,708
Professional and consultancy fees	**588,092**	1,007,779
Audit fees (note 9)	**43,698**	59,719
Share option expense	**248,532**	-
Aero Kinetic litigation net settlement (gain)	**-**	(129,477)
Net foreign exchange (gains)	**51,609**	(3,292)
Impairment	**199,838**	-
Other expenses	**573,034**	583,298
	3,767,736	4,186,306

7 Staff costs

The average number of employees, including Directors, employed was:

	2017 (Group) No.	2017 (Parent) No.	2016 (Group) No.	2016 (Parent) No.
Directors	**4**	**4**	5	5
Development	**12**	**-**	18	-
Administration	**5**	**-**	8	-
	21	**4**	31	5

Employees', including Directors', costs comprise:

	2017 US$	2016 US$
Wages, salaries and other staff costs	**1,276,936**	1,638,477
Social security costs	**89,703**	126,354
	1,366,639	1,764,831

Strat Aero Plc

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

8 Directors

Key management are considered to be Directors.

Group	2017 Short term employee benefits US$	2017 Other US$	2017 Total US$	2016 Short term employee benefits US$	2016 Other US$	2016 Total US$
Graham Peck	**-**	**-**	**-**	20,336	-	20,336
Iain McLure	**178,883**	**8,166**	**187,049**	122,013	-	122,013
Gerard Dempsey	**61,569**	**2,042**	**63,611**	27,114	-	27,114
Paul Ryan	**236,042**	**8,983**	**245,025**	27,114	-	27,114
Gary Nel	**115,334**	**-**	**115,334**	-	-	-
Trevor Brown	**-**	**47,591**	**47,591**	-	-	-
	591,828	**66,782**	**658,610**	196,577	-	196,577

Iain McClure was paid short term employee benefits of $51,308 through a service company, ScotNL Consulting B.V, in 2017. Gerard Dempsey was paid short term employee benefits of $61,569 through a service company in 2017. Paul Ryan was paid short term employee benefits of $236,042 through a service company, Warande1970 BVBA, in 2017.

Gary Nel was considered key management in the Group in 2017 only.

9 Auditors remuneration

	2017 US$	2016 US$
Fees payable to the Company's auditor for the audit of the Group and Parent Company's Financial Statements	**36,000**	10,000
Fees payable to the Company's auditor for other services:		
Audit of the accounts of subsidiaries	**-**	43,541
Taxation - compliance	**7,698**	6,250
	43,698	59,791

10 Finance costs

	2017 US$	2016 US$
Interest payable and other finance costs	**99,081**	43,441
	99,081	43,441

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

11 Tax

No income tax charge was recognised in the profit or loss due to losses incurred.

Group Income tax	2017 US$	2016 US$
Current tax		
UK Corporation tax credit	**(272,688)**	(112,158)
Deferred tax		
Current year	**(154,137)**	-
Tax credit	**(426,825)**	(112,158)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

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

Group	2017 US$	2016 US$
Loss before tax	**(2,897,335)**	(3,636,634)
Tax at the applicable rate of 21.74% (31 December 2016: 24.38%):	**(629,980)**	(886,514)
Effect of:		
Expenses not deductible for tax purposes	**7,517**	27,015
Depreciation in excess of capital allowances	**120,111**	146,750
R&D tax credit	**(280,043)**	(112,158)
Fixed asset timing differences	**(154,137)**	-
Net tax effect of losses carried forward	**509,707**	712,749
Tax credit for the year	**(426,825)**	(112,158)

The tax rate used is a combination of 20% to March 2017 and 19% thereafter; the standard rate of corporation tax in the UK and US tax rate of 35% to give an applicable rate of 21.74%.

The Group has tax losses of approximately US$2,605,839 (31 December 2016: US$2,104,132) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

Since the year end, 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 19.

Basic and Diluted	2017 US$	2016 US$
Loss after taxation	**(2,513,293)**	(3,524,476)
Weighted average number of shares	**1,935,475,795**	255,104,361
Earnings per share (cents)	**(0.13)**	(1.38)

13 Intangible assets

Goodwill – Cost and Net Book Value	2017 US$	2016 US$
At 1 January	**14,557**	14,557
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 2016	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**
Impairment	-	(199,260)	(466,867)	(666,127)
Foreign exchange differences	3,169	3,613	6,505	13,287
At 31 December 2017	**537,347**	**612,599**	**636,146**	**1,786,092**
Accumulated amortisation				
At 1 January 2016	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**
Charge for the year	107,469	122,520	220,603	450,592
Impairment	-	(139,482)	(326,807)	(466,289)
Foreign exchange differences	9,454	8,844	27,637	45,935
At 31 December 2017	**224,969**	**210,456**	**284,918**	**720,343**
Net book value				
At 31 December 2016	**426,132**	**589,672**	**733,023**	**1,748,827**
At 31 December 2017	**312,378**	**402,143**	**351,228**	**1,065,749**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

Other intangibles – Company	Intellectual Property US$
Cost	
At 1 January 2016	222,030
Foreign exchange differences	(36,990)
At 31 December 2016	**185,040**
Foreign exchange differences	14,220
Impairment	(199,260)
At 31 December 2017	**-**
Accumulated amortisation	
At 1 January 2016	66,519
Charge for the year	40,671
Foreign exchange differences	(14,670)
At 31 December 2016	**92,520**
Charge for the year	39,852
Impairment	(139,482)
Foreign exchange differences	7,110
At 31 December 2017	**-**
Net book value	
At 31 December 2016	**92,520**
At 31 December 2017	**-**

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 2017 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

14 Property, Plant and Equipment

Group	Plant & equipment US$	Motor Vehicles US$	Total US$
Cost			
At 1 January 2016	518,078	119,549	637,627
Foreign exchange differences	(58,350)	(13,465)	(71,815)
At 31 December 2016	**459,728**	**106,084**	**565,812**
Additions	63,972	10,627	74,599
Disposals	(173,900)	(32,446)	(206,346)
Foreign exchange differences & reclassification	33,307	(32,138)	1,170
At 31 December 2017	**383,107**	**52,127**	**435,235**
Accumulated depreciation			
At 1 January 2016	**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**
Charge for the year	71,609	10,449	82,058
Disposals	(117,637)	(26,420)	(144,057)
Foreign exchange differences & reclassification	6,049	(12,725)	(6,676)
At 31 December 2017	**285,343**	**32,606**	**317,949**
Net book value at 31 December 2016	**134,407**	**44,782**	**179,189**
Net book value at 31 December 2017	**97,764**	**19,521**	**117,285**

Company	Plant & equipment US$	Motor Vehicles US$	Total US$
Cost			
At 1 January 2016	5,415	-	5,415
Foreign exchange differences	(901)	-	(901)
At 31 December 2016	**4,514**	**-**	**4,514**
Additions	754	-	754
Foreign exchange differences	346	-	346
At 31 December 2017	**5,614**		**5,614**
Accumulated depreciation			
At 1 January 2016	1,243	-	1,243
Charge for the period	992	-	992
Foreign exchange differences	(296)	-	(296)
At 31 December 2016	**1,939**	**-**	**1,939**
Charge for the year	695	-	695
Foreign exchange differences	145		145
At 31 December 2017	**2,779**		**2,779**
Net book value at 31 December 2016	**2,575**	**-**	**2,575**
Net book value at 31 December 2017	**2,835**	**-**	**2,835**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

15 Investment in subsidiary undertakings

Company	2017 US$	2016 US$
As at 1 January	**1,177,957**	1,413,434
Foreign exchange differences	**90,524**	(235,477)
Cost at 31 December	**1,268,481**	1,177,957

A projected cashflow period of five years was used to assess the value in use for investments in subsidiary undertakings.

The following are the principal subsidiaries of the Company at 31 December 2017 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, dormant after 31 December 2017.
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, dormant after 31 December 2017.
Strat Aero International Consultancy Group, LLC	19500 State Highway 249, Suite 655, Houston, Texas 77070, USA	Strat Aero Internatio nal, 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, dormant after 31 December 2017.
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, dormant after 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

Name of company	Registered Address	Parent company	Class of shares	Share capital held	Nature of business
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%	Surveying and mapping
GN Site Engineers Ltd	Tintagel House London Road, Kelvedon, Colchester, Essex, CO5 9BP, UK	Geocurve Ltd	Ordinary	100%	Dormant company
UKAeroVision Limited	Tintagel House London Road, Kelvedon, Colchester, Essex, CO5 9BP, UK	Geocurve Ltd	Ordinary	100%	Dormant company

16 Trade and other receivables

	2017		2016	
	Group US$	Company US$	Group US$	Company US$
Amounts due from group undertakings	**-**	**554,717**	-	1,706,103
Trade receivables	**114,937**	**-**	127,639	-
VAT receivable	**33,193**	**29,599**	-	22,708
Other receivables	**40,472**	**11,557**	494	11,421
Corporation tax	**194,407**	**149,256**	-	-
Prepayments	**60,597**	**11,035**	82,122	40,799
At 31 December	**443,606**	**756,164**	210,255	1,781,031
Less: non-current portion	**-**	**(554,717)**	-	(1,706,103)
Current portion	**443,606**	**201,447**	210,255	74,928

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

Group loans of $2,546,316 have been impaired at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

Ageing of past due trade receivables - Group:	2017 US$	2016 US$
Current	**64,632**	-
0 – 15 days	**-**	-
16 – 30 days	**13,445**	76,418
Over 30 days	**36,860**	51,221
	114,937	127,639

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

	2017 US$	2016 US$
US Dollars	**9,540**	23,286
UK Pounds	**105,397**	104,353
	114,937	127,639

The maximum exposure to credit risk at the reporting date is the carrying value reported above. The Group does not hold collateral as security. Provisions totalling $112,496 (2016: $nil) have been made at the year-end in respect of trade receivables.

17 Cash and cash equivalents

	2017		2016	
	Group US$	Company US$	Group US$	Company US$
Cash at bank and in hand	**668,183**	**639,808**	3,918	2,065
	668,183	**639,808**	3,918	2,065

Cash at bank is held with credit institutions with an A credit rating.

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

	2017		2016	
	Group US$	Company US$	Group US$	Company US$
US Dollars	**754**	**-**	**4,109**	**-**
UK Pounds	**667,429**	**639,808**	**(191)**	**2,065**
	668,183	**639,808**	**3,918**	**2,065**

18 Share capital

	2017		2016	
Issued equity share capital	**Number**	**US$**	Number	US$
Issued and fully paid				
Ordinary shares of 0.01p (2016:0.1p)	**3,852,760,457**	**507,627**	384,285,262	556,767
Deferred shares of 0.01p	**2,358,954,414**	**3,574,036**	2,358,954,414	3,574,036
A Deferred shares of 0.01p	**17,678,567,358**	**2,276,923**	-	-
		6,358,586		4,130,803

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

Group and Company	Number of shares	Ordinary shares US$	Share premium US$	Total US$
Issued and fully paid				
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	35,555,556	506,082	63,260	569,342
Issue of new shares – 20 April 2016	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	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**
As at 1 January 2017				
Issue of new shares – 24 January 2017	380,000,000	472,790	-	472,790
Issue of new shares – 14 February 2017	1,150,000,000	1,438,201	-	1,438,201
Issue of new shares – 1 March 2017	50,000,000	62,157	-	62,157
Issue of new shares – 4 December 2017	1,771,428,572	238,898	597,245	836,143
Issue of new shares – 5 December 2017	74,189,480	9,996	464,803	474,799
Issue of new shares – 28 December 2017	42,857,143	5,741	14,354	20,095
Share issue costs	-	-	(195,389)	(195,389)
As at 31 December 2017	**3,852,760,457**	**6,358,586**	**8,098,321**	**14,456,907**

On 24 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 14 February 2017 the Company issued 850,000,000 new ordinary shares of 0.1p each at a price of 0.1p per share raising £850,000. On the same date certain directors and a director of a subsidiary company subscribed to 250,000,000 new ordinary shares of 0.1p in settlement of outstanding compensation and expenses accrued since 2015. In addition, 25,000,000 new ordinary shares of 0.1p were issued to settle outstanding creditor balances and 25,000,000 new ordinary shares of 0.1p were issued as bonuses to employees of the group. On the same date the Company also issued 1,170,000,000 warrants exercisable for two years from the date of grant at an exercise price of 0.225p.

On 1 March 2017 the Company issued 50,000,000 new ordinary shares of 0.1p each at a price of 0.1p per share in exchange for agreeing new terms of an existing loan facility and in consideration of interest accrued to 1 March 2017.

On 4 December 2017 the Company issued 1,685,714,286 new ordinary shares of 0.01p at a price of 0.035p per share raising £590,000. On the same date the Company issued 1,011,428,571 warrants exercisable for six months from the date of grant at an exercise price of 0.035p. In addition, certain directors subscribed to 85,714,286 new ordinary shares of 0.01p at a price of 0.035p per share in settlement of outstanding compensation and expenses.

On 5 December 2017 the Company issued 74,189,480 new ordinary shares of 0.01p to a director of a subsidiary company in consideration for settlement of $387,000 owed to the director by the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

On 28 December 2017 the Company issued 42,857,143 new ordinary shares of 0.01p at a price of 0.035p per share in consideration for outstanding fees payable by the Company to an adviser.

19 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:

	2017		2016	
	No. of warrants	Weighted average price £	No. of warrants	Weighted average price £
At 1 January	21,090,622	0.01	36,139,368	0.08
Granted during the year	2,599,428,571	0.002	19,642,222	0.01
Expired during the year	-	-	(34,690,968)	0.08
Outstanding at 31 December	**2,620,519,193**	**0.002**	**21,090,622**	**0.01**
Exercisable at 31 December	**2,620,519,193**	**0.002**	**21,090,622**	**0.01**

The warrants outstanding at 31 December 2017 had a weighted average remaining contractual life of 1.5 years (31 December 2016: 2.5 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 2017 was determined using the Black Scholes valuation model. The assumptions used in applying the Black Scholes pricing model were as follows:

Granted on:	22 Feb 2017	22 Jun 2017	20 Dec 2017
Share price at the date of grant	0.105p	0.07p	0.05p
Exercise price	0.225p	0.23p	0.04p
Expected volatility	49.08%	53.38%	22.62%
Expected warrant life	2 years	2 years	0.5 years
Risk free rate	1.79%	1.79%	1.79%

The volatility was determined by examining the monthly share price.

On 22 February 2017 the Company granted 1,558,000,000 warrants to subscribe for new ordinary shares at an exercise price of 0.225 pence per share exercisable for a period of 2 years.

On 22 June 2017 the Company granted 30,000,000 warrants to subscribe for new ordinary shares at an exercise price of 0.225 pence per share exercisable for a period of 2 years.

The share option expense recognised in the year was $248,532 (2016 - $Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

On 20 December 2017 the Company granted 1,011,428,571 warrants to subscribe for new ordinary shares at an exercise price of 0.035 pence per share exercisable for a period of 6 months.

20 Share-based payments

	Company		Group		
	Share option and warrants reserve	Total	Share option and warrants reserve	Merger reserve	Total
	US$	US$	US$	US$	US$
At 1 January 2016	283,088	283,088	283,088	(857,098)	(574,010)
Share warrants issued (note 19)	83,391	83,391	83,391	-	83,391
Share warrants exercised (note 19)	(260,867)	(260,867)	(260,867)	-	(260,867)
At 31 December 2016	105,612	105,612	105,612	(857,098)	(751,486)
At 1 January 2017	105,612	105,612	105,612	(857,098)	(751,486)
Foreign exchange differences	8,116	8,116	8,116	-	8,116
Share warrants issued (note 19)	240,416	240,416	240,416	-	240,416
Share warrants lapsed (note 19)	(26,175)	(26,175)	(26,175)	-	(26,175)
At 31 December 2017	327,969	327,969	327,969	(857,098)	(529,129)

21 Trade and other payables

	2017		2016	
	Group	Company	Group	Company
	US$	US$	US$	US$
Trade payables	**399,359**	**275,768**	549,845	374,993
VAT payable	**37,993**	**-**	2,535	-
Social security and other taxes	**256,189**	**4,286**	219,865	3,706
Corporation Tax	**7,395**	**-**	-	-
Accruals	**227,791**	**138,551**	523,154	399,658
Other creditors	**14,554**	**-**	28,466	11,587
	943,281	**418,605**	1,323,865	789,944

22 Borrowings

	2017		2016	
	Group	Company	Group	Company
	US$	US$	US$	US$
Shareholder loans	**-**	**-**	391,115	-
Other borrowings	**156,494**	**146,124**	125,128	98,688
At 31 December	**156,494**	**146,124**	516,243	98,688
Less: non-current portion	**-**	**-**	(417,555)	-
Current portion	**156,494**	**146,124**	98,688	98,688

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

Reconciliation to cash flows from financing activities:

	Group US$	Company US$
Balance as at 1 Jan 2017	516,243	98,688
Share based payment	(391,115)	-
Net proceeds from borrowings	23,781	39,852
Foreign exchange movements	7,585	7,584
Balance as at 31 December 2017	**156,494**	**146,124**

Included within other borrowings is $146,124 owed to Farina Investments (UK) Ltd. This facility was paid in full after the year end and the charge over assets was satisfied.

23 Deferred tax

	2017		2016	
	Group US$	Company US$	Group US$	Company US$
Deferred tax liabilities				
Deferred tax liability after more than 12 months	**217,216**	**-**	360,154	-
Deferred tax liabilities	**217,216**	**-**	360,154	-

Deferred tax relates to timing differences in respect of the investment in Geocurve Limited and Tangible Fixed Assets.

The movement in the deferred tax account is as follows:

	2017		2016	
	Group US$	Company US$	Group US$	Company US$
At 1 January	**360,154**	**-**	360,154	-
Investment in subsidiaries	**(157,939)**	**-**	-	-
Fixed asset timing differences	**15,001**	**-**	-	-
At 31 December	**217,216**	**-**	360,154	-

24 Financial instruments

Categories of financial instruments

	2017 Group US$	2017 Company US$
Assets – Loans and receivables		
Trade and other receivables (excluding prepayments)	383,007	745,129
Cash and cash equivalents	668,183	639,808
	1,051,190	**1,384,937**
Liabilities – At amortised cost		
Trade and other payables (excluding non-financial liabilities)	715,489	280,055
Borrowings	156,494	146,124
	871,983	**426,179**

	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	516,243	98,688
	1,316,954	**888,632**

25 Financial commitments

Operating leases

At 31 December 2017 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 Other US$	2017 Land and buildings US$	2016 Land and buildings US$
No later than one year	**781**	**69,824**	124,988
Later than one year but no later than 5 years	**1,172**	**140,838**	126,534
Total future minimum lease payments	**1,953**	**210,662**	251,522

26 Related party transactions

Directors' transactions

Russell Peck historically provided Strat Aero International Inc with advances to fund its operations and working capital requirements. The balance outstanding at the year-end was US$nil (31 December 2016: US$398,313). Russell Peck accepted 74,189,480 ordinary shares in December 2017 in consideration for settlement of the outstanding balance due.

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

In December 2017 the directors and previous directors of the Company accepted the following shares as consideration for prior year outstanding fees and expenses:

- Iain McLure 42,857,143 new ordinary shares of 0.01p at a price of 0.035p for £15,000.
- Paul Ryan 42,857,143 new ordinary shares of 0.01p at a price of 0.035p for £15,000.

Directors remuneration is disclosed in note 8.

Iain McClure is a director of ScotNL Consulting B.V. which the Group pays in relation to Iain's director fee. The payment for these services amounted to $51k in the year to 31 December 2017 (2016 - $37k) and $7k is outstanding and included in trade payables as at this date (2016 - $37k).

Paul Ryan is a director of Warande1970 BVBA which the Group pays in relation to Paul's director fee. The payment for these services amounted to $236k in the year to 31 December 2017 (2016 - $165k) and $57k is outstanding and included in trade payables as at this date (2016 - $165k).

Gerard Dempsey and Graham Peck were previously directors of Truspine Technologies Limited. Payment to this company for services performed amounted to $Nil in the year to 31 December 2017 (2016 - $17k) and $Nil is outstanding and included in trade payables as at this date (2016 - $Nil). As at 31 December 2017 an amount of $17k was included in other receivables. This balance has been fully provided for.

Parent Company transactions with subsidiary companies

During the year the Company received US$85,000 (31 December 2016: US$199,137) management fees from its subsidiaries. At the year-end US$554,717 (31 December 2016: US$1,706,103) was due from the subsidiary companies as follows (note 16).

- Geocurve Ltd US$554,717 (2016: US$486,038)
- Strat Aero International Limited US$nil (2016: US$1,220,065)

27 Events after the reporting year

On 5 January 2018 the Company issued 1,173,624,395 new ordinary shares of 0.01p each at a price of 0.035p per share raising £410,768. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

On 10 January 2018 the Company issued 135,714,286 new ordinary shares of 0.01p at a price of 0.035p per share in consideration for outstanding fees payable by the Company to an adviser.

On 16 January 2018 the Company issued 85,714,286 new ordinary shares of 0.01p at a price of 0.035p per share as a result of an exercise of warrants.

On 24 January 2018 the Company issued 35,714,286 new ordinary shares of 0.01p at a price of 0.035p per share as a result of an exercise of warrants.

On 31 January 2018 the Company issued 114,285,714 new ordinary shares of 0.01p at a price of 0.035p per share as a result of an exercise of warrants.

On 21 April 2018 the Company issued 557,142,857 new ordinary shares of 0.01p at a price of 0.035p per share as a result of an exercise of warrants. These warrants were exercised by directors and are listed in the directors' transactions below.

On 9 April 2018 the Company announced the acquisition of 37% of the enlarged share capital of Gyrometric Systems Limited ("Gyrometric") for a cash consideration of $0.32m.

On 5 June 2018 the Company issued 218,571,428 new ordinary shares of 0.01p at a price of 0.035p per share as a result of an exercise of warrants.

Directors' transactions

The directors and previous directors of the Company who participated in the January 2018 Placing were as follows:

- Paul Ryan subscribed for 186,010,627 new ordinary shares of 0.01p each at a price of 0.035p for £65,104.

The directors of the Company who exercised warrants in April 2018 were as follows:

- Trevor Brown exercised 485,714,286 warrants at an exercise price of 0.035p for a consideration of £170,000.

- Nigel Burton exercised 71,428,571 warrants at an exercise price of 0.035p for a consideration of £25,000.

Strat Aero Plc

COMPANY INFORMATION

Directors	Trevor Brown	(*Chief Executive Officer)*
	Nigel Burton	(*Non-Executive Chairman*)
	Paul Ryan	(*Non-Executive Director*)

Website	www.strat-aero.com
Registered Office	Ground Floor Tintagel House London Road Kelvedon Essex CO5 9BP
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	Peterhouse Corporate Finance Limited New Liverpool House 15 Eldon Street London EC2M 7LD
Solicitors	Edwin Coe 2 Stone Buildings Lincoln’s Inn London WC2A 3TH
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:

Trevor Brown (aged 71, British)
Chief Executive Officer

Trevor Brown has been a strategic investor in real estate and equities for more than 30 years.

Mr Brown is currently an Executive Director of Flying Brands plc, CEO of Braveheart Investment Group plc and until December 2017 was a Non-Executive Director of Management Resource Solutions plc. He was also a director of AIM listed Feedback plc and of Advanced Oncotherapy plc.

Nigel Burton (aged 60, British)
Non-Executive Chairman

Nigel has over 25 years' experience in operational and financial management, debt and equity financing, acquisition and integration of businesses, disposals, IPOs and trade sales. Following over 14 years as an investment banker at leading City institutions including UBS Warburg and Deutsche Bank, including as the Managing Director responsible for the energy and utilities industries, Nigel spent 15 years as Chief Financial Officer of a number of private and public companies, including Navig8 Product Tankers Inc, PetroSaudi Oil Services Limited, Advanced Power AG, and Granby Oil and Gas plc. Nigel is currently Chief Executive Officer of Nu-Oil and Gas plc and Chairman of Polemos plc, both of which are listed on AIM, and until March was a Non-Executive Director of AIM listed Management Resource Solutions plc.

Nigel is a Chartered Electrical Engineer and a Past President of the IET. He has a B.Sc. (First Class Hons) in Electrical and Electronic Engineering and a Ph.D in Acoustic Imaging from University College London.

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. 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.

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