Registered Number: 09109008

Strat Aero Plc

Annual Report and Financial Statements

For the period ended 31 December 2014

Strat Aero Plc

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CHAIRMAN'S STATEMENT

Strat Aero, an international aerospace services company focused primarily on the provision of training solutions, management systems and consultancy services to the international aviation market, is pleased to present its audited final results for the period ended 31 December 2014.

Operational Highlights

- Targeted growth strategy to capitalise on the exponential growth of the Unmanned Aerial Vehicles ('UAVs') market and build a leading global aviation services company
- Commenced trading on AIM November 2014, successfully raising £650,000
- Excellent progress made at all three strategic divisions to deliver multi-service offering and maximise market exposure:
    - Unmanned Aerial Services ('UAS') – established multi-faceted UAS Training Centre in Roswell, New Mexico
    - Aviation Software, Products and Services – proprietary advanced aerospace management system providing cloud-based enterprise wide management solutions for the aerospace sector and potentially, other sectors
    - Consultancy Services - multiple contracts in place including project management of the establishment of a new low cost airline in the Middle East
- Targeting multiple high impact opportunities in the commercial, training and law enforcement UAV market
- FY revenues of US$630,685 including US$23,910 from the AIM software and US$606,775 from aviation management and consultancy services notably Air Fujairah US$191,750 and Air Arabia US$134,000

This has been a transformational period for Strat Aero. At the time of our incorporation, we were a private US company established by a group of aviation specialists with one dominant division, consultancy services, which generated almost 100% of group revenues. Today, although consulting still represents the bulk of revenue to date, we are a publicly traded multi-divisional aerospace services company with three main businesses in growth sectors: Unmanned Aerial Systems ('UAS') Pilot Training and Services; Aviation Management and Consultancy Services ('AMCS'); and Aviation Software, Products and Services. Thanks to the milestones achieved during the period, all three divisions are poised to generate growth for the group going forward. We now have a platform from which to offer turnkey customised solutions to a range of commercial energy operators, government bodies and local law enforcement agencies, as we look to capitalise on multiple market opportunities resulting from the strong growth predicted in the airline industry, and the emerging UAV industry.

We believe this is an excellent time to build a leading aviation services company, particularly one exposed to the fast growing UAV market. The numbers speak for themselves: according to the AUVSI Economic Report 2013, the UAV market is forecast to grow to $82.1bn between 2015 and 2025 and in the process create 103,776 new jobs. It is easy to see why. Major recent technical advances have made UAVs more flexible, reliable and readily available, which complements the already significant cost and safety benefits they offer – a lack of a pilot or flight crew makes them much cheaper to maintain than traditional aircraft and that's before the operational advantages they deliver are considered. From an early stage, we recognised UAVs' potential to be used as a tool which could transform numerous commercial sectors, in addition to their more traditional military and emergency service applications. Armed with this vision, we set about putting together a best in class one-stop offering that covers all aspects of the UAV market including permitting, pilot training, product development, service and maintenance provision, as well as the establishment of national and regional training centres.

CHAIRMAN'S STATEMENT (continued)

Thanks to our early mover advantage, Strat Aero has already established key relationships and the unique infrastructure required to offer bespoke UAV services to customers in both the commercial and government sectors. We have a unique UAV training complex in Roswell, New Mexico which can provide training for commercial, law enforcement and military applications. We have a co-operation agreement with one of the largest defence contractors in the U.S. to train US military pilots at Roswell and we have signed a Letter of Intent with the Government of the Netherlands to establish a European UAV training academy, which would be the first in northern Europe. On the commercial side we have secured a technical Services Agreement with the National Renewable Energy Laboratory ('NREL'), a division of the U.S. Department of Energy, to conduct research and development programmes to inspect and analyse wind turbine performance and reliability using UAVs, and we have an option agreement to acquire 70% of independent industrial and energy sales and marketing group New Amsterdam Global Solutions LLC ('New Amsterdam'). An MOU has also been signed with 4D Tech Solutions, Inc, a well-established engineering services provider, to pursue and deliver contracts to the US Government and international agencies.

The strong momentum behind the business continues to build. In the U.S., initial training of United States Air Force ('USAF') instructors at the UAS Training Centre in Roswell was completed during the first half of April 2015. Optimisation of the training programme following this initial testing phase is now underway in conjunction with the USAF, and once this process has been completed, the roll-out of USAF pilot training is expected to follow. Initial throughput of pilots is expected to be eight pilots per month with growth in numbers subject to ongoing review. At full capacity, 32 USAF pilots are expected to be trained each month at Roswell which would be expected to generate revenues of approximately US$12,000 per pilot. The Board looks forward to providing further updates as the optimised programme is reviewed and key commercial terms and the speed of roll out are agreed by the Air Force Research Laboratory ('ARFL').

Outside of the military, the curriculum for training UAV operators in the commercial and educational sectors including Eastern New Mexico University – Roswell ('ENMUR'), has now been finalised and training courses are expected to commence in H2 FY 2015. Having recently secured a FAA Certificate of Authorisation ('COA'), which establishes Strat Aero as just one of a handful of US based training operators authorised to operate UAVs within US airspace, we are able to provide flight training for students at Roswell.

In Europe, negotiations are ongoing with the Government of the Netherlands and the Innovation Quarter to establish a multi-rotor and fixed wing UAV training centre for both civilian and military training at a former Air Base in The Hague. Under the terms of the letter of intent announced on 12 January 2015, Strat Aero is working to provide assistance with top level military training. Discussions are also taking place at a senior level with a number of other European Air Forces in connection with their existing and future UAV training requirements, including the Royal Air Force in the UK.

The provision of UAV training and services on behalf of government/educational bodies and the military merely scratches the surface. We are particularly excited by the role UAVs can play within the commercial sector, where the rise of UAVs has the potential to transform business practices across a wide range of industries. Thanks to advances in technology, UAVs offer commercial customers the seemingly irresistible combination of significant cost savings and enhanced operational capabilities. We therefore view UAVs as a tremendously evolutionary technology which is opening up multiple opportunities and we are focused on capitalising on a number of these.

Wind farm inspection services is our most advanced programme. To better position ourselves, we have signed an exclusive agreement with Air Fusion ('Fusion'), a company that has developed a remote analytics platform and supporting software. The combination of using UAVs and AirFusion's proprietary software to inspect turbines and blades offers substantial safety, time and cost saving benefits to operators. Strat Aero is uniquely positioned to deliver these benefits and a programme is currently underway to test UAV turbine and blade inspection services across the respective wind

CHAIRMAN'S STATEMENT (continued)

farm sites of a number of major wind farm operators in the US, one of which operates 3,000 turbines. Potential wind farm customers have been sourced through New Amsterdam. In tandem with this ongoing test programme, Strat Aero and New Amsterdam are actively marketing Strat Aero's UAV turbine and inspection services to the wind turbine and transmission lines industry in the UK and Europe.

While considerable progress has been made at the UAV division, our consultancy and proprietary aviation software businesses are also making great headway. Strat Aero's consultancy services within the AMCS division are highly regarded within the industry, as evidenced by the calibre of our customer base and the type of contracts we are involved in. In Europe we have been working on the provision of regulatory guidance and the development of training manuals for the Cyprus Aviation Authority ('CAA'); the drafting of an EASA compliant Operations Manual to an established European helicopter operator; and the provision of Quality Management and Compliance oversight for oil and gas related helicopter operations in the Mediterranean. Meanwhile in the Middle East and Africa we continue to provide consulting services to a number of national aviation authorities, in tandem with our ongoing work with regards to project managing the establishment of a new low cost airline in the Middle East which although subject to delays is still expected to deliver further revenue. Looking beyond our existing contracts, humanitarian and security related issues across the world are currently driving an increasing interest in surveillance capability. The Board is currently in discussions with two potential customers for the supply of wide area surveillance services. Strat Aero is also in discussions with a European Government Agency for the provision of UAS systems relating to civil security and safety. Due to the high value nature of ISR solutions, the ISR projects being progressed by the Group are expected to contribute significantly to 2015 revenue expectations and the Board will provide further updates in relation to progress in this increasingly important area of the business as appropriate.

Within our third division, Aviation Software, Products and Services, negotiations are at an advanced stage with a number of potential customers for our proprietary advanced aerospace management system, which provides cloud-based, enterprise wide management solutions for the aerospace sector. The potential market for this product is huge and largely untapped. Our initial target customers are Fixed Based Operators which provide a range of services such as aircraft cleaning, refuelling, aircraft maintenance and catering. Typically they have large workforces operating in shifts around the clock, have fast moving stock levels that require constant monitoring, and operate from multiple bases around the world. Currently these businesses do not have access to a dedicated software package that can manage their entire operations. We believe AIMS is a tried and tested product that can fill this gap and with its customised and cloud based offering, it has the potential to transform business practices whilst at the same time deliver material cost savings.

Financial Outlook

During this inaugural period the Company attracted aggregate investment of US$3.78m to implement the Group's operational plan, acquire intellectual property and meet the costs of listing.

On 10 March 2015 the Company raised an additional £660,000 through the issue of new shares to investors. The Company has also announced today additional financial support from its Chief Executive, Captain Russell Peck.

Outlook

We are at the forefront of multiple emerging markets in a diverse range of emerging sectors that are seeking to take advantage of UAV/drone technology to transform business practices and significantly reduce costs. As with all new markets, it is difficult to accurately envisage the exact pace of development of the marketplace and business during the first half of 2015 has developed slower than expected with revenues in the period to date considerably lower than management expectations. Whilst this makes planning and accurate forecasting challenging, it presents us with

CHAIRMAN'S STATEMENT (continued)

many opportunities to establish a leading foothold in what will undoubtedly be significant markets of the future. Aside from the initiatives already mentioned, we are actively examining other sectors such as Agriculture, Power Transmission, Transport & other Infrastructure where we believe early adoption of our technology and knowhow will be attractive. Combined with our established consultancy business and the roll-out of our proprietary AIMS software, I look forward to reporting on our progress as we build a leading global aviation services company with multiple and visible revenue streams, and in the process generate substantial value for our shareholders.

Acknowledgments

On behalf of the Board, I would like to extend our thanks to our business partners, customers, associates and valued shareholders for their support throughout the period. We also wish to thank the management and staff of the entire Strat Aero Group for their continued loyalty dedication and hard work throughout the period and we look forward to working with you all in the forthcoming year.

Graham Peck
Executive Chairman

Strat Aero Plc

STRATEGIC REPORT

The Directors present their Strategic Report on the Group for the period ended 31 December 2014.

Principal activities and business review

The Company provides international aerospace services focussed primarily on the provision of training solutions, management systems and consultancy services to the international aviation market. The Group is organised into three divisions:

- ***Unmanned Aerial Systems ("UAS") Pilot Training and Services*** which includes the following:
    - ➢ The use of Unmanned Aerial Vehicle for wind turbine, power transmission and critical infrastructure inspections;
    - ➢ Development and delivery of UAV curriculum and flight training for colleges , universities and other technical training centres; and
    - ➢ Investigation, Surveillance and Reconnaissance (ISR) utilising both manned and unmanned aerial vehicles that is cost effective and provides state of the art analytics for varying applications.

- ***Aviation Software, Products and Services*** consisting of:
    - ➢ Proprietary database software specially designed for the use of aviation service providers such as Fixed Base Operators, airport management and aircraft operators; and
    - ➢ Best practices management support consulting services for aviation service providers.

- ***Aviation Management and Consultancy Services*** which includes airline and airport management, research and development of UAS operations.

The period under review represents the first period of trading for the Group and substantial management time and effort was preparing the Company for admission to AIM. The Company was successfully admitted to AIM on 17 November 2014. 2014 was a building period during which relationships and contracts were established that will provide the foundation for subsequent periods the details of which are outlined in the Chairman's Statement.

Financial review

The Group recorded revenues of US$630,685 generating a gross profit of US$309,999. The loss for the period to 31 December 2014, the first period of trading, before and after taxation was US$1,200,844. The loss per share was 3.77 cents per share.

Revenues for the period exceeded expectations and were predominantly derived from its aviation management and consultancy services (US$606,775). Administrative expenses amounted to US$1,539,403, a large portion of these costs comprised of wages and salaries, consultancy and professional fees and travelling expenses. A major part of the travelling expenses were incurred by management in connection with the AIM admission process.

During this inaugural period the Company managed to generate investment of US$3.78m to implement the Group's operational plan, acquire the intellectual property and meet the costs of listing.

Consolidated net assets at 31 December 2014 amounted to US$818,376. Cash balances at the period end amounted to US$106,817.

Following the period end, the Group has secured additional finance to undertake future projects and further development; see Chairman's Statement for more details.

Key performance indicators

	Period ended 31 December 2014 US$
Revenue	630,685
Gross profit	309,999
Administrative expenses	1,539,403
Loss before tax for the period	1,200,844
Earnings per share (cents)	(3.77)
Net assets	818,376
Cash and cash equivalents	106,817

Current trading and future developments

The Group continues to make progress across all divisions of business with new commercial and military opportunities opening up internationally although revenues during the period to date have developed slower than expected. These developments are described more fully in the Chairman's Statement.

Principal risks and uncertainties

Early stage of operations

Whilst the Group has made initial sales, it is still at an early stage of development. There are a number of operational, strategic and financial risks associated with such early stage companies.

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

Dependence on key contracts, customers & programme delays

Significant elements of the growth of Strat Aero for the next few years are expected to rely on a few key contracts. Going forward, it is likely that the Group will be dependent on a relatively small number of contracts at any given time and the majority of the Group's revenue in any year may be derived from a relatively small number of contracts. The loss, or failure to finalise where relevant, of any one of these customers would have a material and adverse impact on the revenues, profitability and overall financial position of the Company in the event the Company was not able to replace them with additional or alternative customers.

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

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

Governmental and defence

The Company deals with governmental agencies, and as such is exposed to the risks inherent in government contracting. The Company expects to be dependent, directly or indirectly, upon contracts with governmental agencies and their contractors for a portion of its revenue that could be material to its business. As a result, the Company will be subject to certain risks, including budgets restraints and fixed price contracts.

Certain of Strat Aero's future core businesses will be defence-related, targeting the sale of services directly and indirectly, mainly to the United States, United Arab Emirates and other national governments. Therefore, defence spending depends on a mix of political considerations, budgetary constraints and the ability of the armed forces to meet specific threats and perform certain missions. As the Company's future revenues are dependent on defence spending, any reductions in such spending could adversely affect the Group.

The Company continues to monitor this situation and actively seeks to expand its customer base to reduce any sole dependence on government contracts.

Intellectual property

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

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

The Group continues to protect its intellectual property vigilantly.

Research and development

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

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

Competition and competing technology

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

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STRATEGIC REPORT (continued)

Continued product development

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

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

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

Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company'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 Company'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 Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to enable the Company to continue its activities and bring its products to market. The Company defines capital based on the total equity of the Company. The Company monitors its level of cash resources available against future planned activities and may issue new shares in order to raise further funds from time to time.

This Strategic Report was approved by the Board of Directors and authorised for issue on 29 June 2015 by:

Graham Peck
Executive Chairman

DIRECTORS' REPORT

The Directors present their Report together with the audited Financial Statements for the period ended 31 December 2014.

The Company was incorporated on 1 July 2014.

General information

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

On 21 August 2014, the Company re-registered from a private limited company to a public limited company and therefore changed its name from Strat Aero Limited to Strat Aero Plc.

On the 17 November 2014, the Company successfully admitted to trading on the AIM market of the London Stock Exchange plc.

Branches outside the UK

The Group operates branches in Seattle, Denver, Houston, New York and Singapore and a training centre in Roswell.

Dividends

The Directors do not recommend payment of a dividend.

Directors' indemnities

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

Directors' interests

The Directors who held office in the period 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 period were:

	Ordinary Shares Interest at 31 December 2014 No.	Ordinary Shares Interest at 12 December 2013*** No.	**Warrants Interest at 31 December 2014 No.**	Warrants Interest at 12 December 2013*** No.
Graham Peck*	5,869,596	-	-	-
Russell Peck	24,207,675	-	-	-
Robert Salluzzo**	5,069,596	-	-	-
Greg Kuenzel	-	-	-	-

* includes 1,000,000 shares held by the wife of Graham Peck.
** held in the name of Equity Trust Company Inc., custodian on behalf of the wife of Robert Salluzzo.
*** Or at the late date of incorporation or date of appointment.

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DIRECTORS' REPORT (continued)

Major shareholdings

The closing mid-market price of the Company's Ordinary 1p Shares at 31 December 2014 was 11.25p. Shareholders holding more than 3% of the shares of the Company at the date of this report were:

	Ordinary shares	%
Russell Peck	24,207,675	28.72
Beaufort Nominees Limited	7,224,752	8.57
Jonathan E Adams	6,419,596	7.62
Graham Peck*	5,869,596	6.96
Robert Salluzzo*	5,069,596	6.01
Equity Trust Company Inc	4,250,000	5.04
Gleeson Bessent Trustee Services Limited	3,765,424	4.47
James R Walters	3,000,000	3.56

*including family and trust holdings

Capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the period, are shown in note 18. Since 31 December 2014 the Company has raised additional capital as set out below. Further information is set out in note 26 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 1p shares are traded solely on the AIM market.

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

Going concern

The Financial Statements have been prepared assuming the Group and Company will continue as a going concern. This assessment has been made based on the Group's economic prospects which have been included in the financial forecasts for the years 2015 and 2016. 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 expected receipt of grant income, the expectation that if required, cost cutting measures can be implemented and if required funds can be raised on the open market.

The operational requirements of the Company comprise of maintaining a Head Office in the UK alongside its UK operations together with running its US operations from its US subsidiary which generates most of its revenues. The Directors have reviewed the Group's working capital forecasts. They believe that the funds raised recently, including new equity funds of £660,000 in aggregate raised between the Statement of Financial Position date and the date of approval of these financial statements taken in conjunction with the current level of cash balances and expected revenues will be sufficient for the operational requirements of the Group in both the UK and the US over the next 12 months.

Strat Aero Plc

DIRECTORS' REPORT (continued)

However, if the Group's revenues fall short of expectations then the Group will put in to place cost cutting measures including deferral of executive management's salaries or will 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 Company 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, review of KPIs and details of future developments are included in the Strategic Report and Chairman's Statement.

Events after the reporting period

On 10 March 2015 the Company issued 7,333,334 new ordinary shares of £0.01 each at a price of £0.09 per share raising £660,000.

Further monies were advanced to Strat Aero International Inc after the period end by Russell Peck, Chief Executive of the Company, amounting to US$386,000. The balance outstanding as at 29 June 2015 was US$450,738.

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.

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

General Meeting

Our General Meeting to receive and adopt the audited Financial Statements and the Reports of the Directors and the Auditor of the Company for the period ended 31 December 2014 will be held at the offices of Kerman & Co on Tuesday, 28 July 2015 at 200 Strand, London WC2R 1DJ and we welcome shareholders to attend the meeting.

By Order of the Board

Graham Peck
Executive Chairman

29 June 2015

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 Company and of the profit or loss of the Group for that period.

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 the subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

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

By Order of the Board

Graham Peck
Executive Chairman

29 June 2015

CORPORATE GOVERNANCE STATEMENT

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

Internal Control

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

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

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

Remuneration Committee

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

Remuneration for executives comprises of basic salary, a performance-related bonus, share based payments and other benefits in kind. Details of Directors' remuneration and share based payments granted are given in notes 8 and 25, respectively.

Audit Committee

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

Nomination committee

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

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Strat Aero Plc

We have audited the Financial Statements of Strat Aero Plc for the period ended 31 December 2014 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 Cash Flow Statements, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the 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. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2014 and of the Group's loss for the period then ended;
- the Group 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Emphasis of matter – Going Concern

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

1 Westferry Circus
Canary Wharf
London E14 4HD

29 June 2015

Strat Aero Plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
As at 31 December 2014

Continuing operations	Note	**2014 US$**
Revenue	5	630,685
Cost of sales	6	(320,686)
Gross profit		**309,999**
Administration expenses	6	(1,539,403)
Gain on foreign exchange	6	35,424
Operating loss		**(1,193,980)**
Finance costs	10	(6,864)
Loss before income tax		**(1,200,844)**
Income tax expense	11	**-**
Loss for the period attributable to owners of the parent		**(1,200,844)**
Other Comprehensive Income		
Items that may be subsequently reclassified to profit or loss:		
Currency translation difference		(68,582)
Total comprehensive income for the period attributable to owners of the parent		**(1,269,426)**
Earnings per ordinary share attributable to owners of the parent during the period *(expressed in cents per share)*		
Basic and diluted	12	**(3.77)**

The loss for the financial period dealt with in the financial statements of the Parent Company, Strat Aero Plc, was US$398,193. As permitted by Section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the Parent Company.

The notes on pages 24 to 47 form part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Note	2014 US$
Non-current assets		
Intangible assets	13	632,373
Property, plant and equipment	14	205,488
Total non-current assets		**837,861**
Current Assets		
Trade and other receivables	16	355,659
Cash and cash equivalents	17	106,817
Total current assets		**462,476**
TOTAL ASSETS		**1,300,337**
Equity attributable to owners of the parent		
Share capital	18	1,301,737
Share premium	18	1,642,449
Other reserves	20	(856,384)
Translation reserve		(68,582)
Retained loss		(1,200,844)
TOTAL EQUITY		**818,376**
Current liabilities		
Trade and other payables	21	417,223
Total current liabilities		**417,223**
Non-current liabilities		
Borrowings	22	64,738
Total non-current liabilities		**64,738**
TOTAL LIABILITIES		**481,961**
TOTAL EQUITY AND LIABILTIES		**1,300,337**

The notes on pages 24 to 47 form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors and authorised for issue on 29 June 2015 and were signed on its behalf by:

Graham Peck
Executive Chairman

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

Company number: 09109008

	Note	2014 US$
Non-current assets		
Intangible assets	13	209,938
Property, plant and equipment	14	935
Investment in subsidiary undertakings	15	857,100
Trade and other receivables	16	1,255,495
Total non-current assets		**2,323,468**
Current Assets		
Trade and other receivables	16	282,914
Cash and cash equivalents	17	2
Total current assets		**282,916**
TOTAL ASSETS		**2,606,384**
Equity attributable to shareholders		
Share capital	18	1,301,737
Share premium	18	1,642,449
Other reserves	20	714
Translation reserve		(77,896)
Retained loss		(398,193)
TOTAL EQUITY		**2,468,811**
Current liabilities		
Trade and other payables	21	137,573
Total current liabilities		**137,573**
TOTAL LIABILITIES		**137,573**
TOTAL EQUITY AND LIABILITIES		**2,606,384**

The notes on pages 24 to 47 form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors and authorised for issue on 29 June 2015 and were signed on its behalf by:

Graham Peck
Executive Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2014

	Attributable to owners of the parent					
	Share capital US$	Share premium US$	Other reserves US$	Translation reserve US$	Retained loss US$	Total US$
At incorporation	1	-	-	-	-	1
Loss for the period	-	-	-	-	(1,200,844)	**(1,200,844)**
Other comprehensive income for the period						
Currency translation difference	-	-	-	(68,582)	-	**(68,582)**
Total comprehensive income for the period	**-**	**-**	**-**	**(68,582)**	**(1,200,844)**	**(1,269,426)**
Proceeds from shares issued (net of costs)	1,170,407	981,484	(857,098)	-	-	**1,294,793**
Share based payments	131,329	660,965	714	-	-	**793,008**
Transactions with owners, recognised directly in equity	**1,301,736**	**1,642,449**	**(856,384)**	**-**	**-**	**2,087,801**
As at 31 December 2014	**1,301,737**	**1,642,449**	**(856,384)**	**(68,582)**	**(1,200,844)**	**818,376**

The notes on pages 24 to 47 form part of these Financial Statements.

Strat Aero Plc

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2014

	Attributable to equity shareholders					
	Share capital US$	Share premium US$	Other reserves US$	Translation reserve US$	Retained earnings US$	Total US$
At incorporation	**1**	**-**	**-**	**-**	**-**	**1**
Loss for the period	-	-	-	-	(398,193)	**(398,193)**
Other comprehensive income for the period						
Currency translation difference	-	-	-	(77,896)	-	**(77,896)**
Total comprehensive income for the period	**-**	**-**	**-**	**(77,896)**	**(398,193)**	**(476,089)**
Proceeds from shares issued (net of costs)	1,170,407	981,484	-	-	-	**2,151,891**
Share based payments	131,329	660,965	714	-	-	**793,008**
Transactions with owners, recognised directly in equity	**1,301,736**	**1,642,449**	**714**	**-**	**-**	**2,944,899**
As at 31 December 2014	**1,301,737**	**1,642,449**	**714**	**(77,896)**	**(398,193)**	**2,468,811**

The notes on pages 24 to 47 form part of these Financial Statements.

Strat Aero Plc

CONSOLIDATED AND PARENT COMPANY CASH FLOW STATEMENTS
For the period ended 31 December 2014

	Note	Group 2014 US$	Company 2014 US$
Cash Flows from Operating Activities			
Loss for the period before tax		(1,200,844)	(398,193)
Depreciation of property, plant and equipment		23,083	104
Amortisation of intangible assets		70,264	23,327
Share based payments		714	714
Finance costs		6,864	-
Foreign exchange on operating activities		(44,966)	(54,031)
Decrease in trade and other receivables		(355,659)	(282,914)
Increase in trade and other payables		804,327	524,677
Cash generated used in operations		**(696,217)**	**(186,316)**
Interest expense	10	(6,864)	-
Net cash used in operating activities		**(703,081)**	**(186,316)**
Cash Flows used in Investing Activities			
Purchases of intangible assets	13	(469,372)	-
Purchases of property, plant and equipment	14	(49,541)	(1,039)
Investments in subsidiary undertakings		-	-
Loans to subsidiary undertakings		-	(1,107,436)
Net cash used in investing activities		**(518,913)**	**(1,108,475)**
Cash Flows from Financing Activities			
Net proceeds from borrowings		34,018	-
Issue of shares, net of issue costs		1,294,793	1,294,793
Net cash generated from financing activities		**1,328,811**	**1,294,793**
Net increase in cash and cash equivalents		**106,817**	**2**
Exchange gains/(losses)		-	-
Cash and cash equivalents at beginning of period		-	-
Cash and cash equivalents at end of period		**106,817**	**2**

Major non-cash transactions

Property, plant and equipment amounting to US$178,779 purchased in the period was paid for directly by a Director and Shareholder of the Group.

From the placings in August 2014, £72,000 of proceeds were used to settle certain consultancy fees in relation to the IPO.

In addition, certain share based payments were made during the period to satisfy payables and amounts owed by the Group. These are as follows:

CONSOLIDATED AND PARENT COMPANY CASH FLOW STATEMENTS (continued)

For the period ended 31 December 2014

Major non-cash transactions (continued)

On 16 July 2014, the Company issued 2,500,000 ordinary shares of £0.01 each, as consideration for settlement of outstanding payables due to the vendor of certain intangible assets amounting to US$257,130. In addition, the Company issued a further 1,542,285 ordinary shares of £0.01 each fully paid at £0.06 per share to repay advances amounting to US$148,059 provided to the Company by Russell Peck, a Director and Shareholder of the Company (see Note 25).

On 14 August 2014, 3,524,178 ordinary shares of £0.01 each were issued in respect of the conversion of accrued salaries to the Directors and management of the Company of £211,451 within the Company and its subsidiaries.

On 25 September 2014, 181,818 ordinary shares of £0.01 each were issued as consideration for settlement of fees due to Northland Capital Partners LLP amounting to US$32,755.

The notes on pages 24 to 47 form part of these Financial Statements.

1 General information

Strat Aero Plc ("The Company") was incorporated on 1 July 2014. On 21 August 2014, the Company re-registered from a private limited company to a public limited company and therefore changed its name from Strat Aero Limited to Strat Aero Plc.

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

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

2 Summary of accounting policies

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

(a) Basis of preparation

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

The Financial Statements are presented in US Dollar 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.

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

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

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

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

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

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

No comparative information is presented as all entities within the Group were incorporated during the period.

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

On this basis, the Directors have decided that it is appropriate to reflect the combination using merger accounting principles as a group reconstruction under FRS 6 - Acquisitions and mergers in order to give a true and fair view. No fair value adjustments have been made as a result of the combination. A statutory Consolidated Statement of Comprehensible Income from 12 December 2013 to 31 December 2014 shows a loss before income tax of US$1,200,844, while the statutory Consolidated Cash Flow Statement has a loss of US$1,200,844, purchase of intangible assets of US$702,637, and share issues of US$2,944,186.

(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 2015 and 2016 and for managing their working capital. In assessing whether the going concern assumption is appropriate, management has taken into account all available information for the foreseeable future, in particular for the twelve months form the date of approval of the Financial Statements. Should the Group or Company be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for further liabilities which might arise, and to classify fixed assets as current.

The nature of the business in which Strat Aero operates creates a degree of uncertainty as to the timing of acquisition and value of contracts due to the relative revenues of the UAV market. The Directors are in discussions with various parties in relation to numerous potential contracts and have identified the availability of grant income which is expected to contribute positively to cash flow in the short term. The Group's activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 6 to 9. It also includes the Group's objectives, policies and processes for managing its business risk objectives, which includes its exposure to technology, customer and other operational risks.

Steps have been taken to reduce operating costs across the Group, with the consequence that the Group now has a lower level at which it is forecast to break even on and achieve a positive cash flow. The directors have also agreed to defer their salaries.

The Group finances it working capital through equity and shareholder loans and currently has no debt with external providers of finance. The Directors have committed further funds to the business and considered the possibility, if required, of raising further funds on the open market to take advantage of the opportunities that are considered to be available.

On this basis, the Directors have formed a judgement, at the time of approving the Financial Statements, that there is a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors have adopted the going concern basis in preparing the Financial Statements.

(c) New and amended standards

(i) New Standards, amendments and interpretations adopted by the Group

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning on or after 1 January 2014 and have been applied in preparing these Financial Statements and the material standards applied are as follows:

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IAS 27, 'Separate Financial Statements', replaces the current version of IAS 27, 'Consolidated and Separate Financial Statements' as a result of the issue of IFRS 10. The revised standard includes the requirements relating to separate financial statements.

Amendment to IAS 36, 'Impairment of Assets', require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments also incorporate the requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

All other new standards and amendments to standards and interpretations effective for the financial year beginning on or after 1 January 2014 are not material to the Group and Company and therefore not applied in preparing these Financial Statements.

(ii) New and amended standards and interpretations issued but not yet effective for the financial year beginning on or after 1 January 2014 and not early adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Financial Statements are listed below.

Standard	Impact on initial application	Effective date
IAS 1 (Amendments)	Presentation of Financial Statements: Disclosure Initiative	*1 January 2016
IAS 16 (Amendments)	Clarification of Acceptable Methods of Depreciation	*1 January 2016
IAS 16 (Amendments)	Property, Plant and Equipment: Bearer Plants	*1 January 2016
IAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions	1 February 2015
IAS 27 (Amendments)	Separate Financial Statements	*1 January 2016
IAS 28 (Amendments)	Investments in Associates and Joint Ventures	*1 January 2016
IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	*1 January 2016
IAS 38 (Amendments)	Clarification of Acceptable Methods of Amortisation	*1 January 2016
IAS 41 (Amendments)	Agriculture: Bearer Plants	*1 January 2016
IFRS 9 (Amendments)	Financial Instruments	*1 January 2018
IFRS 10 (Amendments)	Consolidated Financial Statements	*1 January 2016
IFRS 10 (Amendments)	Investment Entities: Applying the Consolidation Exception	*1 January 2016
IFRS 11	Joint Arrangements	*1 January 2016
IFRS 12 (Amendments)	Investment Entities: Applying the Consolidation Exception	*1 January 2016
IFRS 14	Regulatory Deferral Accounts	*1 January 2016
IFRS 15	Revenue from Contracts with Customers	*1 January 2017
Annual Improvements	2010 – 2012 Cycle	1 February 2015
Annual Improvements	2011 – 2013 Cycle	1 January 2015
Annual Improvements	2012 – 2014 Cycle	*1 July 2016

** Subject to EU endorsement*

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

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

(d) Basis of consolidation

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) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Operating segments are identified on the basis of internal reports that are regularly reviewed by the Chief Executive Officer and the Chief Financial Officer to allocate resources and to assess performance. Using the Group's internal management reporting as a starting point, two reporting segments set out in note 5 have been identified. The third segment relating to UAS Pilot training and services did not generate any sales during the period.

(f) 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.

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 period.

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 Income Statement as part of the gain or loss on sale.

(g) Intangible assets

Intellectual property rights are shown at historic costs, less amortisation, 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 intellectual property is considered to have an indefinite useful life because there are no legal, contractual, regulatory, technological, or other factors that limit the useful life of that asset. Assets that have an indefinite useful life or are not ready to use are not subject to amortisation and are tested annually for impairment. 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.

(h) 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 period 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 - 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.

(i) 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.

(j) Financial assets

The Group 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.

(k) Impairment of financial assets

The Group assesses at the end of each reporting period 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 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 Income Statement.

If, in a subsequent period, 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.

(l) Trade and other receivables

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

(m) 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.

(n) Share capital

Equity comprises the following:
- "Share Capital" represents ordinary shares issued at par value
- "Share Premium" represents the premium paid on shares issued above par value; and
- "Retained earnings" represents retained losses.

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.

(o) 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.

(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.

(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 period of the borrowings using the effective interest method.

(s) Revenue recognition

The Group generates its revenue from the sale of aviation software products and services and providing consultancy services performed on a 'time and materials' basis. Revenues are recognised on these products at the point of sale and when services are rendered to clients as per the terms of specific contracts. In the case of fixed price contracts, revenues are recognised on a percentage of completion basis. Turnover is stated net of value added tax in respect of continuing activities. The third revenue stream, the Unmanned Aerial Systems ("UAS") Pilot Training and Services division, has not yet generated any sales during the period under review.

(t) Current income tax

The tax charge/(credit) represents tax currently payable less a credit for deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from the loss for the year as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the relevant jurisdiction in the period 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 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 period 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 (Sterling and Great British Pounds) 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 at the Parent Company treasury. 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.

iii) Fair value estimations

IFRS 13 requires the classification of fair value measurements using a fair value hierarchy that reflects the significance of the inputs used to determine those fair values. The Group has no financial instruments whose fair value has been determined using a valuation technique required to be discussed by IFRS 13.

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 include capitalised costs of the Platform. These costs are estimates based on managements' view of the team's time spent on the project that enhance the Platform, supported by internal time recording and considering the requirements of IAS 38 "*Intangible Assets*".

The development costs of the Platform is amortised over the useful life of the asset. The useful life is based on managements' estimate of the period that the asset will generate revenue, which is reviewed annually for appropriateness.

The Group tests annually whether intangible assets, which have a carrying value as at 31 December 2014 of US$632,373, 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. A 10% adverse movement in these assumptions would not result in any impact to the period end carrying value of these amounts (See note 13 for further details).

Going concern

The financial information has been prepared assuming the Group will continue as a going concern. The nature of the business in which Strat Aero operates creates a degree of uncertainty as to the timing of the acquisition and the value of new contracts. The prospect list of the Group contains project values of more than US$20 million which are expected to start over the coming 12 months. Delays in contract revenue and the receipt of grant income have led to a strain in working capital which required additional financing from the Directors.

Additionally based on these actions and on the expected cash flows from contracts to be awarded, the Directors have formed their opinion on the Group continuing as a going concern for the foreseeable future, in particular for the twelve months from the date of approval of the Financial Statements.

5 Segmental analysis

Management considers there to be a single activity, being the provision of consultancy services to the international aviation market, substantially operating in the United Kingdom. Accordingly, segmental analysis is reflected in the Consolidated Group Statements set out herein.

Total revenue comprises:	**2014**
Revenue from external customers:	**US$**
Consultancy	606,775
Other fees	23,910
	630,685
Revenues are generated in a number of countries analysed as to:	
United Kingdom	-
United States of America	630,685
	630,685

Revenues of approximately US$ 552,330 are derived from five single external customers. These revenues are attributable to segments outside of the EU.

Carrying amount of assets

	2014
	US$
United Kingdom	670,830
United States of America	629,507
	1,300,337

Carrying amount of liabilities

	2014
	US$
United Kingdom	137,572
United States of America	344,389
	481,961

Strat Aero Plc

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2014

6 Operating expenses by nature

	2014 **US$**
Cost of sales	320,686
PR, marketing and advertising	105,231
Wages, salaries and other staff costs (note 7)	519,141
Depreciation	23,083
Amortisation	70,264
Operating lease expenses	89,832
Professional and consultancy fees	345,090
Audit fees (note 9)	42,765
Net foreign exchange (gains)	(35,424)
Other expenses	343,997
	1,824,665

7 Staff costs

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

	2014 **No.**
Directors	3
Development	3
Administration	5
	11

Employees', including Directors', costs comprise:

	2014 **US$**
Wages, salaries and other staff costs	813,291
Social security costs	36,121
	849,412

Staff costs include US$330,271 of costs capitalised and included under additions to non-current intangible assets (development costs).

8 Directors

Key management are considered to be Directors.

Group 2014	Short term employee benefits US$	Total US$
Russell Peck	145,296	145,296
Graham Peck	110,515	110,515
Robert Salluzzo	110,718	110,718
Greg Kuenzel	1,333	1,333
	367,862	**367,862**

9 Auditors remuneration

	2014 US$
Fees payable to the Company's auditor for the audit of the Parent Company's Financial Statements	10,000
Fees payable to the Company's auditor for other services:	
Audit of the accounts of subsidiaries	32,765
Other non-audit services	114,518
	157,283

10 Finance costs

	2014 US$
Interest payable and other finance costs	6,864
	6,864

11 Tax

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

Group **Income tax expense:**	**2014** **US$**
Current tax	
Current period	-
Deferred tax	
Current period	-
Net tax charge	-

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

Group	2014 US$
Loss before tax	(1,200,844)
Tax at the applicable rate of 31.30%:	(375,884)
Effect of:	
Expenses not deductible for tax purposes	47,176
Capital allowances in excess of depreciation	(64,242)
Revenue deduction for capitalised costs - US	(131,524)
Net tax effect of losses carried forward	524,474
Tax charge for the period	-

No tax charge or credit arises on the loss for the period.

The tax rate used is a combination of 21.49% standard rate of corporation tax in the UK, US tax rate of 40% to give an applicable rate of 31.30%.

The Group has tax losses of approximately US$1,676,000 available to carry forward against future taxable profits. No deferred tax asset has been recognised in view of the uncertainty over the timing of future taxable profits against which the losses may be offset.

12 Earnings per share

Basic earnings per share has been calculated by dividing the loss attributable to equity holders of the Company after taxation by the weighted average number of shares in issue during the period. 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 loss per share.

Since the period end, no warrants have been exercised which may result in the dilution of the earnings per share in the future. Details of share options and warrants that were anti-dilutive but may be dilutive in the future are set out in note 19.

Basic and Diluted	2014 US$
Loss after taxation	(1,200,844)
Weighted average number of shares	31,832,975
Earnings per share (cents)	(3.77)

13 Intangible assets

Group	Intellectual Property US$	Development Costs US$	Total US$
Cost			
At incorporation	-	-	-
Additions	233,265	469,372	702,637
At 31 December 2014	233,265	469,372	702,637
Accumulated amortisation			
At incorporation	-	-	-
Charge for the period	23,327	46,937	70,264
At 31 December 2014	23,327	46,937	70,264
Net book value			
At 31 December 2014	**209,938**	**422,435**	**632,373**
At incorporation	**-**	**-**	**-**

Company	Intellectual Property US$
Cost	
At incorporation	-
Additions	233,265
At 31 December 2014	233,265
Accumulated amortisation	
At incorporation	-
Charge for the period	23,327
At 31 December 2014	23,327
Net book value	
At 31 December 2014	**209,938**
At incorporation	**-**

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

The recoverable amount of the above cash-generating unit has been determined based on value in use calculations. The key assumptions used for value-in-use calculations in 2014 are as follows:

Gross margin	37%
Growth rate	10%
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 exceeded carrying value by $2.45m.

14 Property, Plant and Equipment

Group	Plant & equipment US$	Motor Vehicles US$	Total US$
Cost			
At incorporation	-	-	-
Additions	194,288	34,032	228,320
At 31 December 2014	**194,288**	**34,032**	**228,320**
Accumulated depreciation			
At incorporation	-	-	-
Charge for the period	19,680	3,403	23,083
Exchange differences	(251)	-	(251)
At 31 December 2014	**19,429**	**3,403**	**22,832**
Net book value			
At 31 December 2014	**174,859**	**30,629**	**205,488**
At incorporation	**-**	**-**	**-**

Company	Plant & equipment US$	Motor Vehicles US$	Total US$
Cost			
At incorporation	-	-	-
Additions	1,039	-	1,039
At 31 December 2014	**1,039**	**-**	**1,039**
Accumulated depreciation			
At incorporation	-	-	-
Charge for the period	104	-	104
At 31 December 2014	**104**	**-**	**104**
Net book value			
At 31 December 2014	**935**	**-**	**935**
At incorporation	**-**	**-**	**-**

15 Investment in subsidiary undertakings

Company	2014 US$
As at incorporation	-
Additions	857,100
Cost at 31 December 2014	**857,100**

The following are the principal subsidiaries of the Company at 31 December 2014 and at the date of these Financial Statements.

Name of company	Principal Place of Business	Parent company	Class of shares	Share capital held	Nature of business
Strat Aero International, Inc.	United States of America	Strat Aero Plc	Ordinary	100%	Provider of aviation software, products and services
Strat Aero International Limited	England & Wales	Strat Aero Plc	Ordinary	100%	Aviation management and consultancy services
Strat Aero International Consultancy Group, LLC.	United States of America	Strat Aero International, Inc	N/A	100%	Dormant company

16 Trade and other receivables

	2014 Group US$	2014 Company US$
Amounts due from group undertakings	-	1,255,495
Trade receivables	8,606	-
VAT receivable	174,675	128,111
Other receivables	134,341	134,341
Prepayments	38,037	20,462
At 31 December	**355,659**	**1,538,409**
Less: non-current portion	**-**	**(1,255,495)**
Current portion	**355,659**	**282,914**

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

16 Trade and other receivables (continued)

No trade and receivables are past due at the reporting date.

Ageing of past due trade receivables:	**2014 US$**
0 – 15 days	-
16 – 30 days	2,869
Over 30 days	5,737
	8,606

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

	2014 US$
US Dollars	8,606
UK Pounds	-
	8,606

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

17 Cash and cash equivalents

	2014 Group US$	** Company US$**
Cash at bank and in hand	106,817	2
	106,817	**2**

18 Share capital

Group and Company	Number of shares	Ordinary shares US$	Share premium US$	Total US$
Issued and fully paid				
At incorporation – 12 July 2014	1	**1**	**-**	**1**
Issue of new shares – 16 July 2014	49,999,999	857,099	-	857,099
Issue of new shares – 16 July 2014	2,500,000	42,855	214,275	257,130
Issue of new shares – 16 July 2014	1,542,285	26,438	121,621	148,059
Issue of new shares – 10 August 2014	3,499,999	58,702	293,510	352,212
Issue of new shares – 12 August 2014	2,749,998	46,150	230,752	276,902
Issue of new shares – 14 August 2014	4,845,159	81,195	405,976	487,171
Issue of new shares – 14 August 2014	3,524,178	59,058	295,291	354,349
Issue of new shares – 25 September 2014	181,818	2,977	29,778	32,755
Issue of new shares – 17 November 2014	8,125,000	127,262	890,833	1,018,095
Share issue costs	-	-	(839,587)	(839,587)
As at 31 December 2014	**76,968,437**	**1,301,737**	**1,642,449**	**2,944,186**

On incorporation, the Company issued 1 ordinary share of £0.01 each at par value.

On 16 July 2014 the Company issued 49,999,999 ordinary shares of £0.01 each at par value, as consideration for business acquisitions during the period. On the same day, the Company acquired intangible assets for a total consideration of US$257,130 (equivalent to £150,000). The Company issued 2,500,000 ordinary shares of £0.01 each in settlement of outstanding liabilities owed to the vendor.

In addition, the Company further issued 1,542,285 ordinary shares of £0.01 each, fully paid at £0.06 per share.

On 10 August 2014, 3,499,999 ordinary shares of £0.01 each were issued pursuant to private subscription agreements at a price of £0.06 per ordinary share raising a total of £210,000.

On 12 August 2014, 2,749,998 ordinary shares of £0.01 each were issued pursuant to private subscription agreements at a price of £0.06 per ordinary share raising a total of £165,000;

On 14 August 2014, 4,845,159 ordinary shares of £0.01 each were issued pursuant to private subscription agreements at a price of £0.06 per ordinary share raising a total of £290,709; and

On 14 August 2014, 3,524,178 ordinary shares of £0.01 each were issued in respect of the conversion of accrued salaries to the Directors and management of the Company of £211,451 within the Company and its subsidiaries.

On 21 August 2014, the Company re-registered from a private limited Company to a public limited company and therefore changed its name from Strat Aero Limited to Strat Aero Plc.

On 25 September 2014, 181,818 ordinary shares of £0.01 each were issued to Northland Capital Partners LLP at a price of £0.11 per ordinary share.

On admission to AIM on 17 November 2014, 8,125,000 ordinary shares of £0.01 each were issued in relation to a placing at a price of £0.08 per ordinary share raising a total of £650,000 before expenses.

19 Share based payments

Warrants

At 31 December 2014, warrants to subscribe for 459,375 new Ordinary Shares in the Company were in issue as follows:

	2014	
	No. of warrants	**Weighted average price £**
At incorporation	-	-
Granted during the period	459,375	0.08
Outstanding at 31 December 2014	**459,375**	**0.08**
Exercisable at 31 December 2014	**459,375**	**0.08**

The warrants outstanding at 31 December 2014 had a weighted average remaining contractual life of 4.9 years.

Fair value of warrants

The fair value of the warrants issued during 2014 was determined using the Black Scholes valuation model. The assumptions used in applying the Black Scholes pricing model were as follows:

	2014
Granted on:	7 Nov 2104
Share price at the date of grant	8p
Exercise price	8p
Expected volatility	60%
Expected warrant life	5 years
Risk free rate	5%

The volatility was determined by examining the monthly share price.

On 17 November 2014 on admission to AIM 121,875 warrants to subscribe to new ordinary shares were issued to SP Angel at an exercise price of 8 pence per share exercisable for a period of 5 years.

On 17 November 2014 on admission to AIM 337,500 warrants to subscribe to new ordinary shares were issued to Beaufort Securities Limited at an exercise price of 8 pence per share exercisable for a period of 5 years.

20 Other reserves

	Company		Group	
	Share option and warrants reserve US$	Total US$	Merger reserve US$	Total US$
At incorporation	-	**-**	-	**-**
Share warrants issued (note 19)	714	**714**	-	**714**
Acquisition of subsidiaries	-	**-**	(857,098)	**(857,098)**
At 31 December 2014	714	**714**	(857,098)	**(856,384)**

21 Trade and other payables

	2014	
	Group US$	Company US$
Trade payables	337,948	84,959
Social security and other taxes	26,661	-
Accruals	52,614	52,614
	417,223	**137,573**

No trade and receivables are past due at the reporting date.

Ageing of past due trade payables:

	2014 US$
0 – 30 days	46,987
31 – 60 days	33,197
Over 60 days	257,764
	337,948

22 Borrowings

	2014	
	Group US$	Company US$
Shareholder loans	64,738	-
	64,738	**-**

Borrowings are unsecured and accrue no interest.

23 Financial instruments

Categories of financial instruments

	2014 Group US$	2014 Company US$
Assets – Loans and receivables		
Trade and other receivables (excluding prepayments)	317,622	1,517,947
Cash and cash equivalents	106,817	2
	424,439	**1,517,949**
Liabilities – At amortised cost		
Trade and other payables (excluding non-financial liabilities)	390,562	137,573
Borrowings	64,738	-
	455,300	**137,573**

24 Financial commitments

Operating leases

At 31 December 2014 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 Land and buildings US$
No later than one year	107,416
Later than one year but no later than 5 years	124,017
Total future minimum lease payments	**231,433**

25 Related party transactions

Directors' transactions

On incorporation, Russell Peck, a director of the Company, subscribed to 1 ordinary share of £0.01 each at par value.

On 16 July 2014, the Company entered into a share purchase agreement relating to the acquisition of Strat Aero International, Inc. with the current shareholders of the Company. The Company issued 49,999,999 ordinary shares of £0.01 each at par value, as consideration for the subsidiary company.

On 16 July 2014, the Company entered into a sale and purchase agreement for the reassignment of intellectual property rights, with Russell Peck, HLU Limited (formerly PremiAir Aviation Learning Systems Limited and PremiAir Aerospace Limited) and PremiAir Aviation Learning Systems of America, Inc. The intellectual property rights were acquired for a total consideration of US$257,130 (equivalent to £150,000) and were fully satisfied with a share issue of 2,500,000 ordinary shares of £0.01 each.

On 16 July 2014, Russell Peck, was issued 1,542,285 ordinary shares of £0.01 each, fully paid at £0.06 per share to satisfy the advanced sum of US$148,059 to finance the initial operations of the Group.

During the period, Russell Peck provided to Strat Aero International Inc advances amounting to US$398,533 to fund its initial operations and working capital requirements. The balance outstanding at the period end was US$64,738.

Greg Kuenzel, a director of the Company, is a partner of Heytesbury Corporate LLP, which has provided financial and accounting services for the Group. An amount of US$10,409 has been invoiced for these services provided during the period. The balance owed by the Company to Heytesbury Corporate at the period end is US$10,409.

Parent Company transactions with subsidiary companies

During the period the Company received no management fees from its subsidiaries. At the period end US$1,255,495 was due from the subsidiary companies as follows (note 16).

- Strat Aero International Limited US$730,163
- Strat Aero International Inc US$525,332

26 Events after the Reporting Period

On 10 March 2015 the Company issued 7,333,334 new ordinary shares of £0.01 each at a price of £0.09 per share raising £660,000.

Further monies were advanced to Strat Aero International Inc after the period end by Russell Peck, a director of the company, amounting to US$386,000. The balance outstanding as at 29 June 2015 was US$450,738.

COMPANY INFORMATION

Directors	Graham Peck	*(Executive Chairman)*
	Russell Peck	*(Chief Executive Officer)*
	Robert Salluzzo	*(Chief Financial Officer)*
	Greg Kuenzel	*(Non-executive Director)*
Website	www.strat-aero.com	
Registered Office	The Beehive City Place Gatwick Airport West Sussex RH6 0PA	
Registered Number	09109008	
Nominated Adviser and Joint Broker	SP Angel Corporate Finance LLP Prince Frederick House 35-39 Maddox Street London W1S 2PP	
Joint Broker	Beaufort Securities Limited 131 Finsbury Pavement London EC2A 1NT	
Solicitors	Kerman & Co LLP 200 Strand London EC2A 1NT	
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	

Details of the Directors and their backgrounds are as follows:

Captain Graham Douglas Grindell Peck (aged 69, British)
Executive Chairman

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

COMPANY INFORMATION (continued)

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

Captain Russell Maurice Peck (aged 67, American)
Chief Executive Officer

Captain Peck began his aviation career training foreign pilots for international airlines in Asia. He entered the corporate business jet industry early in his career flying the Lear Jet to both domestic and international destinations. He joined Continental Airlines ("Continental") in 1978 and became a Boeing 727 Flight Instructor, a Check Pilot and an FAA designated examiner. Capt. Peck also managed the DC9 and MD80 Fleet while acting at the Fleet Check Airman. He then became the Manager of Training Programs for Continental and served as the Continental representative for the Air Transportation Association training committee in Washington D.C. Capt. Peck was appointed Director of Human Factors and Corporate Training for Continental and additionally managed the Advanced Qualification Program for the airline.

He retired from Continental as a Boeing 757/767 Flight Instructor and Check Airman in 2006. During his time with Continental, in 1995 Capt. Peck joined CPaT Inc., a private computer based training company providing computer based training to airlines and type rating training organization worldwide. As President and Head of Marketing, he led the company to more than double its revenue and expand its international presence.

Capt. Peck has been a Member of the Association for Unmanned Vehicle Systems International in the United States since November 2013, as well as a Fellow of the Royal Aeronautical Society in the United Kingdom since December 2013.

In September 2013, the FAA announced that it recognized Capt. Peck with inclusion in the prestigious FAA Airmen Certification Database, which lists certified pilots who have met or exceeded the high educational, licensing and medical standards established by the FAA. Capt. Peck is based in Texas, United States.

Capt. Graham Peck and Capt. Russell Peck are not related.

Robert ("Bob") James Salluzzo (aged 67, American)
Chief Financial Officer

Bob Salluzzo has been providing finance, accounting, management and business development services to public and private corporations and other organisations for over forty years. He is a Certified Public Accountant who began his career with Price Waterhouse Coopers in Rochester, New York and then established his own practice in which he was a partner which was later merged into Marvin & Co. a major regional accounting firm in Albany, New York.

Mr Salluzzo has provided management support to both developing and growth companies and organisations entering a turnaround or restructuring phase including strategic fundraisings.

Mr Salluzzo has advised on the structuring and securing of multi-million dollar debt and equity raises. He has operated in many business sectors and has a specialty in aviation consulting where he has advised airport owners and sponsors in entrepreneurial methods to mitigate costs on airports. He was the lead consultant in the construction of a general aviation airport in Canandaigua, New York. Mr Salluzzo has spoken before the New York State Airport Managers Association on the topics of business development and financing alternatives for airports and businesses on airports. He also was an integral participant in the launch and certification of a part 121 regional air carrier.

Mr Salluzzo is a commercial pilot type rated in the Citation 500/550 series and has flown as a member of a Fortune 500 flight department. He is an Honourably Discharged army officer. Mr Salluzzo is based in New York, United States.

Gregory ("Greg") Kuenzel (aged 43, British & Australian)
Non-executive Director

Greg Kuenzel holds a Bachelor of Business Degree and is an associate of the Institute of Chartered Accountants in England and Wales. Mr Kuenzel has over 18 years of experience in providing accounting, management and corporate advice in a diverse range of industry sectors in the UK, USA and Australia. For the past nine years he has worked with mostly AIM quoted companies providing corporate and financial consulting services. Mr Kuenzel is currently Chief Executive Officer of AIM quoted Noricum Gold Limited and Non-executive Director of FinnAust Mining plc. Greg is based in the United Kingdom.