Registered Number: 09109008

Strat Aero Plc

Annual Report and Financial Statements

For the year ended 31 December 2015

Strat Aero Plc

CONTENTS

CHAIRMAN'S STATEMENT

The year under review saw Strat Aero Plc ("Strat Aero" or the "Company") look to grow through a series of acquisitions and partnerships. This strategy has produced mixed results with the positive additions of Geocurve and I-Coach offsetting the disappointment of the Aero Kinetics acquisition. However, with limited resources both in terms of capital and personnel, the strategy of pursuing new acquisitions and markets is not sustainable for a company of our size, at least not until a solid cash generative foundation has been established. It is clear we need to have a robust strategy which translates into an executable business plan with identifiable targets, measures, planning, financial processes and clear lines of accountability. This is precisely what our new CEO, Iain McLure, who has a strong operational and management background, is looking to deliver.

The breadth of the opportunity presented by Unmanned Aerial Systems ("UAS") is widely acknowledged to be substantial. However, there is always the risk that in looking to enter multiple new markets concurrently, resources can be spread too thinly. With this in mind, the Board recognised that a renewed focus on our core strengths and capabilities offered the optimal route, in terms of risk and costs, to build recurring annualised revenue streams without having to commit considerable sums of capital. Iain has therefore spent the first few weeks of his tenure as CEO evaluating the business to identify those areas where we believe Strat Aero has the potential to become a world class provider of UAV based services and solutions.

Encouragingly, there is no shortage of sub-sectors within the UAS space where we believe we can become a leading UAV services and solutions provider. These sectors include: Commercial UAS Training & Education; Survey & Inspection Services; Security; Data Analytics; and Consultancy. The Strat Aero team has extensive experience and contacts in all these fields. We therefore have an excellent platform in place upon which we can build profitable businesses without having to invest significant amounts of capital.

Commercial UAV Training & Education

With UAVs increasingly taking to the skies, the need for pilots to be professionally trained and accredited is more important than ever. The Strat Aero team has practical aviation experience, including direct classroom based teaching as well as developing and managing digital-based training platforms. In the last year we have invested in developing commercial training applications and we intend to capitalise on this. Our vision is to create a professional UAV career path and association for UAV pilots. By developing an educational "ecosystem" not only will we lock Start Aero into repeatable revenue opportunities, but we will also have access to a resource pool of pilots trained and accredited by Strat Aero. This resource pool along with the training programmes will allow us to create and leverage excellent purchasing and partnership arrangements with UAV manufacturers.

The Master Franchise Agreement we signed with Hong Kong based I-Coach in January 2016 (the "Master Agreement") provides an example of the capital-light opportunity we have to position Strat Aero as a world leader in UAV pilot training and accreditation. The Master Agreement involves the roll-out of Strat Aero's proprietary UAV Training Programme to capitalise on the rapidly growing base of UAV operators in Hong Kong, The People's Republic of China, the Taiwanese Republic of China and Macao. Under the terms of the Master Agreement, Strat Aero will receive a sign on fee, annual recurring fees based on student numbers and other standard franchise terms in return for granting I-Coach the exclusive rights to operate our training programme in the agreed territories. We secured the Master Agreement thanks to the first rate training pedigree of our team of aviation specialists. We are looking to replicate the Master Agreement with other partners as we focus on positioning Strat Aero as a world class provider of UAV pilot training and accreditation. Relevant course ware has been developed in the first half and revenue generation is expected to commence in H2 2016.

Survey & Inspection Services

One area where UAVs are today transforming traditional business practices is the field of surveying and inspection services. We know this is the case as our Geocurve subsidiary, which is a specialist in the provision of UAV operated topographical surveys and inspection services to a blue chip customer base, including the UK's Environment Agency, EDF Energy, Carillion, and the RSPB, is already playing a leading role in the UK. Geocurve was one of the first companies to be authorised by the Civil Aviation Authority to fly UAVs in congested urban areas and conduct surveys, inspections and various other projects in previously prohibited areas; and it has successfully completed a pioneering survey over the Norfolk Broads National Park using UAVs.

Geocurve has a proven track record both in the field and in analysis and reporting delivered by a highly competent team of professionals. Geocurve provides us with the capability to target other sub-sectors without having to invest significant amounts of capital. Targeted areas include civil engineering; land surveys and inspection services for quarries and boundaries; flood defences; buildings; tunnels; energy assets including oil and gas, water, solar, wind turbines, water towers; wildlife habitat monitoring; insurance services; and cell towers. All of these fit well with Geocurve's established surveying and inspection services and we therefore believe they represent a natural development for the business.

Geocurve customer contracts have to date tended to be short term in nature and in the revised strategy the company will continue to focus on longer term annualised customer relationships and broadening the customer base.

Security

Importantly, we have identified a number of other large sectors outside of inspection and surveys which are well suited to Strat Aero's skillsets and offerings which can be targeted at minimal expense. For example, security. A UAV based security service can be offered to undertake border and perimeter patrols, cover public events, play a role in emergency disaster / search & rescue operations and detection.

Data Analytics

We believe the combination of UAVs and software to gather data and generate 3D models and analysis on its own is not enough to build and retain value. Commercially available software is able to capture the large quantities of information gathered by UAVs however the end product is typically full of 'noise', difficult to interpret and therefore does not always add value to end customers. To make sense of it, Strat Aero applies a human touch and intelligence to the process: experienced data managers and analysts, a number of whom are qualified civil engineers, apply education and experience to clean up the data and produce results that can be easily interpreted and add real value to the end user. Being able to offer a superior value adding product is something that sets Strat Aero apart from its competitors and presents us with an opportunity we are keen to capitalise on through our Data Analytics capability. In keeping with our capital-light growth strategy, we already have the technology through our in-house developed Digital Data Management ("DDM") system which we use as the foundation of data capture, processing and reporting back to customers. In addition, DDM has core functionality in aviation management software which is used in general aviation in North America. Finally, DDM is the core software behind our computer-based training application, again used in North America.

Consultancy

Our breadth of experience in a range of relevant disciplines and activities such as training and regulation, data gathering and modelling can also be put to profitable use on a consultancy basis by offering bespoke services to individual customers on both a regular and ad hoc basis. Strat Aero's active influence and involvement in the industry, via professional trade associations and participation in the legislative process and lobbying, uniquely positions us to offer consultancy services. As well as generating revenues, consultancy services also provide scope for cross selling opportunities across all our divisions which can lead to repeat, regular business.

CHAIRMAN'S STATEMENT (continued)

Financial Overview

The Group recorded revenues of US$433,001 during the year ended 31 December 2015 (2014: US$630,685) generating a gross profit of US$345,747 (2014: US$309,999). Revenues for the year generated from the Company's inspection, survey and consultancy services were below expectations. In particular, conversion of Military Training and Wind Inspection service opportunities proved to be slower than anticipated.

The loss for the year to 31 December 2015, the second year of trading, before and after taxation was US$5,931,933 (2014: US$1,200,844). The loss for 31 December 2015 includes a US$2,028,235 impairment of goodwill arising from the acquisition of the Aero Kinetics business.

Following the acquisition of Aero Kinetics in December 2015, the Company filed a legal action on 1 April 2016 in Texas, USA against Mr W. Hulsey Smith ("Mr. Smith"), the vendor of Aero Kinetics on counts of fraud and breach of contract arising from misrepresentations made by Mr. Smith upon which the Company relied and were material in the Company's decision to acquire Aero Kinetics. Strat Aero also terminated the services of Mr. Smith in relation to Aero Kinetics.

On 6 April 2016, the Company and its directors received a defence and counterclaim from Mr. Smith. The Company continues to believe and has been advised that it has a strong claim and a robust defence against Mr. Smith. The Company intends to continue to vigorously pursue its claims against Mr. Smith and believe his counterclaims and purported defence to be without merit.

There are a number of potential resolutions available to the Company in relation to the legal action including a settlement, rescission of the purchase of Aero Kinetics as well as actual and consequential damages. Unless settled, the court has set a date of October 2016 for the case to be heard.

As a consequence of these material events regarding Aero Kinetics, the Board have taken the prudent action to fully impair the investment in Aero Kinetics as at 31 December 2015 which amounts to an impairment charge of US$2,028,235.

Administrative expenses during the year amounted to US$4,180,769 (2014: US$1,539,403), a large portion of these costs comprised of wages and salaries, consultancy and professional fees and travelling expenses. The increase in expenses is attributable to growth in headcount and business development activities in support of the commercial opportunities identified during 2015. This cost base is being rationalized in line with the new management's strategic priorities.

Consolidated net assets at 31 December 2015 amounted to US$721,546 (2014: US$818,376). Cash balances at the year-end amounted to US$1,485,257 (2014: US$106,817).

During 2015, the Company attracted aggregate investment of US$5.52 million to implement the Group's operational plans, and to fund the acquisitions of Geocurve and Aero Kinetics. Final deferred consideration for Geocurve is expected to be made in the near term and a further announcement regarding this will be made in due course.

Post year end the Company raised an additional £877,250 pre-expenses, through the issue of new shares to investors.

Outlook

The UAV industry is undeniably a dynamic and rapidly growing space to operate in but, as with all new technologies, translating this opportunity into a profitable business is a lengthy process. Before government departments and large companies adopt UAV technologies, they typically require proof of concept trials to demonstrate the benefits and robustness of UAS before contracts are signed. It is

CHAIRMAN'S STATEMENT (continued)

also essential to focus on areas where we can add real value to customers, using our professional experience and expertise. With these challenges in mind, the Board is working to establish a new corporate structure, integrating the whole business to exploit our assets sharing resources, skills and experience. It is also important to make a clear statement of intent on what we are aiming to achieve. As well as building a solid foundation based on revenue growth, it is critical that we continue to closely manage and control costs as well as developing cross selling opportunities, as we look to drive revenues and profitability going forward.

We believe Strat Aero is well positioned in the new and emerging UAS market place. We have the people, skills and experience along with the technology to become a world class provider of UAV services. We are now focused on creating a revised integrated structure which will allow us to effectively mobilise our core strengths, maximise our potential, and in the process generate value for our shareholders, customers and employees.

Acknowledgments

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

Graham Peck
Executive Chairman

STRATEGIC REPORT

The Directors present their Strategic Report on the Group for the year ended 31 December 2015.

Principal activities and business review

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

The year under review represents the second year of trading for the Group. 2015 was a continued year of building during which the Group made two acquisitions, while continuing to establish relationships and contracts that will provide the foundation for subsequent years, the details of which are outlined in the Chairman's Statement.

Financial review

The Group recorded revenues of US$433,001 (31 December 2014: US$630,685) generating a gross profit of US$345,747 (31 December 2014: US$309,999). The loss for the year to 31 December 2015, the second year of trading, before and after taxation was US$5,931,933 (31 December 2014: US$1,200,844). The loss per share was 6.31 cents per share. The loss for 31 December 2015 includes a US$2,028,235 impairment of goodwill arising on acquisition of the Aero Kinetics business (see note 25 for more information).

Revenues for the year were below expectations and derived from its inspection, survey and consultancy services (31 December 2014: US$606,775). Administrative expenses amounted to US$4,180,769 (31 December 2014: US$1,539,403), a large portion of these costs comprised of wages and salaries, consultancy and professional fees and travelling expenses.

Consolidated net assets at 31 December 2015 amounted to US$721,546 (31 December 2014: US$818,376). Cash balances at the year-end amounted to US$1,485,257 (31 December 2014: US$106,817).

Following the year end, the Group has secured additional finance to facilitate its development; see Chairman's Statement for more details. Further details can also be found in Note 29 of the Financial Statements.

Key performance indicators

	Year ended 31 December 2015 US$	**Period ended 31 December 2014 US$**
Revenue	**433,001**	630,685
Gross profit	**345,747**	309,999
Gross margin	**79.8%**	49.2%
Administrative expenses	**4,180,769**	1,539,403
Loss before tax for the year	**5,931,933**	1,200,844
Earnings per share (cents)	**(6.31)**	(3.77)
Net assets	**721,546**	818,376
Cash and cash equivalents	**1,485,257**	106,817

Strat Aero Plc

STRATEGIC REPORT (continued)

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 year to date have developed slower than expected. These developments are described more fully in the Chairman's Statement.

Principal risks and uncertainties

Political and country risk – EU Referendum

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

Early stage of operations

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

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

Dependence on key contracts, customers & programme delays

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 Group in the event the Group was not able to replace them with additional or alternative customers.

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

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

Governmental and defence

The Group 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. Some of Strat Aero's future core businesses will be defence-related, targeting the sale of services directly and indirectly, mainly to the United States, Saudi Arabia, 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 Group is involved in complex technological areas and new product development. There is no guarantee that the Group will be successful in its research and product development. Some of the Group's technology and intellectual property portfolio is at an early stage of commercial development. The Group may not be able to develop and exploit its technology sufficiently to enable it to develop commercial and marketable products. Furthermore, the Group may not be able to develop new applications or identify additional specific market needs that can be addressed by the Group's technology.

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

Competition and competing technology

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

Continued product development

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

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

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

Financial risk factors

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

Credit risk

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

Liquidity risk

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

This Strategic Report was approved by the Board of Directors and authorised for issue on 30 June 2016 by:

Graham Peck
Executive Chairman

Strat Aero Plc

DIRECTORS' REPORT

The Directors present their Report together with the audited Financial Statements for the year ended 31 December 2015.

General information

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

Subsidiaries and branches outside the UK

The Group operates a branch in Houston and a training centre in Roswell, US.

Dividends

The Directors do not recommend payment of a dividend (31 December 2014: nil).

Directors' indemnities

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

Directors' interests

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

	Ordinary Shares Interest at 31 December 2015 No.	Ordinary Shares Interest at 31 December 2014 [8] No.	**Warrants Interest at 31 December 2015 No.**	Warrants Interest at 31 December 2014 [8] No.
Graham Peck [1]	6,669,551	5,869,596	799,955	-
Russell Peck [2]	24,928,131	24,207,675	-	-
Robert Salluzzo [3]	5,676,705	5,069,596	-	-
Iain McLure [4]	-	-	-	-
Tony Dunleavy [5]	2,530,000	-	1,000,000	-
Gerard Dempsey [6]	560,000	-	400,000	-
Paul Ryan [7]	400,000	-	400,000	-
Greg Kuenzel	-	-	-	-

1. Includes 1,000,000 shares held by the wife of Graham Peck.
2. Resigned on 24 September 2015.
3. Held in the name of Equity Trust Company Inc., custodian on behalf of the wife of Robert Salluzzo. Resigned on 24 September 2015.
4. Appointed on 1 April 2016.
5. Appointed on 24 September 2015 and resigned on 1 April 2016.
6. Appointed on 14 September 2015.
7. Appointed on 1 September 2015.
8. Or at the late date of incorporation or date of appointment.

DIRECTORS' REPORT (continued)

Major shareholdings

The closing mid-market price of the Company's Ordinary 1p Shares at 31 December 2015 was 5.88p. Shareholders holding more than 3% of the shares of the Company at the date of this report were:

	Ordinary shares	%
Russell Peck	24,928,131	17.57
Jonathan E Adams	9,899,205	6.98
Graham Peck*	6,669,551	4.70
Robert Salluzzo*	5,676,705	4.00
Trustees for the REB Living Trust	5,000,000	3.52

*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 year, are shown in note 19. Since 31 December 2015 the Company has raised additional capital as set out below. Further information is set out in note 29 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 in the financial forecasts. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all available information for the foreseeable future; in particular for the twelve months from the date of approval of the Financial Statements. This included the nature of the business in which Strat Aero Plc operates, the expected contracts to be awarded, the expectation that if required, cost cutting measures can be implemented and if required funds can be raised on the open market.

The operational requirements of the Company comprise of maintaining a Head Office in the UK alongside its UK operations together with running its US operations from its US subsidiary. The Directors have reviewed the Group's working capital forecasts. They believe that the funds raised recently, including new equity funds of £877,250 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.

If 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 seek to raise the appropriate funds to meet its working capital requirements.

As disclosed in Note 2(b), after making enquiries, the Directors have a reasonable expectation that the 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. It should be noted, however, that the auditors have drawn attention to going concern within their audit report by way of an emphasis of matter.

Matters covered in the strategic report

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

Events after the reporting year

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

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

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

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

Disclosure of information to auditor

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

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

Independent auditor

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

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

By Order of the Board

Graham Peck
Executive Chairman

30 June 2016

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

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

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

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

By Order of the Board

Graham Peck
Executive Chairman

30 June 2016

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 Paul Ryan.

Remuneration for executives comprises of basic salary, a performance-related bonus, share based payments and other benefits in kind. Details of Directors' remuneration and share based payments granted are given in notes 8 and 28, 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 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 year ended 31 December 2015 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 2015 and of the Group's loss for the year 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 Group incurred a net loss of US$5,931,933 during the year ended 31 December 2015 and at that date, the Group held net assets of US$721,546.

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

Opinion on other matters prescribed by the Companies Act 2006

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

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

30 June 2016

Strat Aero Plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

Continuing operations	Note	**Year ended 2015 US$**	**Period ended 2014 US$**
Revenue	5	**433,001**	630,685
Cost of sales	6	**(87,254)**	(320,686)
Gross profit		**345,747**	309,999
Administration expenses	6	**(4,180,769)**	(1,539,403)
Gain on foreign exchange	6	**130**	35,424
Impairment	13	**(2,028,235)**	-
Operating loss		**(5,863,127)**	(1,193,980)
Finance costs	10	**(68,812)**	(6,864)
Finance income		**6**	-
Loss before income tax		**(5,931,933)**	(1,200,844)
Income tax expense	11	**-**	-
Loss for the year attributable to owners of the parent		**(5,931,933)**	(1,200,844)
Other Comprehensive Income			
Items that may be subsequently reclassified to profit or loss:			
Currency translation difference		**7,581**	(68,582)
Total comprehensive income for the year attributable to owners of the parent		**(5,924,352)**	(1,269,426)
Earnings per ordinary share attributable to owners of the parent during the year *(expressed in cents per share)*			
Basic and diluted	12	**(6.31)**	(3.77)

The loss for the financial year dealt with in the financial statements of the Parent Company, Strat Aero Plc, was US$5,991,023 (2014: loss of 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 53 form part of these Financial Statements.

Strat Aero Plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Note	2015 US$	2014 US$
Non-current assets			
Intangible assets	13	**2,230,833**	632,373
Property, plant and equipment	14	**372,142**	205,488
Total non-current assets		**2,602,975**	837,861
Current Assets			
Inventories	16	**88,488**	-
Trade and other receivables	17	**462,814**	355,659
Cash and cash equivalents	18	**1,485,257**	106,817
Total current assets		**2,036,559**	462,476
TOTAL ASSETS		**4,639,534**	1,300,337
Equity attributable to owners of the parent			
Share capital	19	**2,292,836**	1,301,737
Share premium	19	**6,171,415**	1,642,449
Other reserves	21	**(574,010)**	(856,384)
Translation reserve		**(35,918)**	(68,582)
Retained loss		**(7,132,777)**	(1,200,844)
TOTAL EQUITY		**721,546**	818,376
Current liabilities			
Trade and other payables	22	**1,956,798**	417,223
Borrowings	23	**390,000**	-
Total current liabilities		**2,346,798**	417,223
Non-current liabilities			
Borrowings	23	**1,211,036**	64,738
Deferred tax liabilities	24	**360,154**	-
Total non-current liabilities		**1,571,190**	64,738
TOTAL LIABILITIES		**3,917,988**	481,961
TOTAL EQUITY AND LIABILTIES		**4,639,534**	1,300,337

The notes on pages 24 to 53 form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors and authorised for issue on 30 June 2016 and were signed on its behalf by:

Graham Peck
Executive Chairman

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

Company number: 09109008

	Note	2015 US$	2014 US$
Non-current assets			
Intangible assets	13	**155,421**	209,938
Property, plant and equipment	14	**4,172**	935
Investment in subsidiary undertakings	15	**1,413,434**	857,100
Trade and other receivables	17	**1,144,620**	1,255,495
Total non-current assets		**2,717,647**	2,323,468
Current Assets			
Trade and other receivables	17	**175,455**	282,914
Cash and cash equivalents	18	**1,131,304**	2
Total current assets		**1,306,759**	282,916
TOTAL ASSETS		**4,024,406**	2,606,384
Equity attributable to shareholders			
Share capital	19	**2,292,836**	1,301,737
Share premium	19	**6,171,415**	1,642,449
Other reserves	21	**283,088**	714
Translation reserve		**(261,437)**	(77,896)
Retained loss		**(6,389,216)**	(398,193)
TOTAL EQUITY		**2,096,686**	2,468,811
Current liabilities			
Trade and other payables	22	**1,164,045**	137,573
Total current liabilities		**1,164,045**	137,573
Non-current liabilities			
Borrowings	23	**763,675**	-
Total non-current liabilities		**763,675**	-
TOTAL LIABILITIES		**1,927,720**	137,573
TOTAL EQUITY AND LIABILITIES		**4,024,406**	2,606,384

The notes on pages 24 to 53 form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors and authorised for issue on 30 June 2016 and were signed on its behalf by:

Graham Peck
Executive Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	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**
As at 1 January 2015	**1,301,737**	**1,642,449**	**(856,384)**	**(68,582)**	**(1,200,844)**	**818,376**
Loss for the year	-	-	-	-	(5,931,933)	(5,931,933)
Other comprehensive income for the year						
Currency translation difference	-	-	-	32,664	-	32,664
Total comprehensive income for the year	**-**	**-**	**-**	**32,664**	**(5,931,933)**	**(5,899,269)**
Proceeds from shares issued (net of costs)	911,625	4,067,429	-	-	-	4,979,054
Share based payments	79,474	461,537	283,730	-	-	824,741
Warrants exercised	-	-	(1,356)	-	-	(1,356)
Transactions with owners, recognised directly in equity	**991,099**	**4,528,966**	**282,374**	**-**	**-**	**5,802,439**
As at 31 December 2015	**2,292,836**	**6,171,415**	**(574,010)**	**(35,918)**	**(7,132,777)**	**721,546**

The notes on pages 24 to 53 form part of these Financial Statements.

Strat Aero Plc

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	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**
As at 1 January 2015	**1,301,737**	**1,642,449**	**714**	**(77,896)**	**(398,193)**	**2,468,811**
Loss for the year	-	-	-	-	(5,991,023)	(5,991,023)
Other comprehensive income for the year						
Currency translation difference	-	-	-	(183,541)	-	(183,541)
Total comprehensive income for the year	**-**	**-**	**-**	**(183,541)**	**(5,991,023)**	**(6,174,564)**
Proceeds from shares issued (net of costs)	911,625	4,067,429	-	-	-	4,979,054
Share based payments	79,474	461,537	283,730	-	-	824,741
Warrants exercised	-	-	(1,356)	-	-	(1,356)
Transactions with owners, recognised directly in equity	**991,099**	**4,528,966**	**282,374**	**-**	**-**	**5,802,439**
As at 31 December 2015	**2,292,836**	**6,171,415**	**283,088**	**(261,437)**	**(6,389,216)**	**2,096,686**

The notes on pages 24 to 53 form part of these Financial Statements.

Strat Aero Plc

CONSOLIDATED AND PARENT COMPANY CASH FLOW STATEMENTS (continued)
For the year ended 31 December 2015

	Note	Group 2015 US$	Group 2014 US$	Company 2015 US$	Company 2014 US$
Cash Flows from Operating Activities					
Loss for the year/period before tax		**(5,931,933)**	(1,200,844)	**(5,991,023)**	(398,193)
Depreciation of property, plant and equipment		**83,860**	23,083	**1,125**	104
Amortisation of intangible assets		**211,503**	70,264	**45,849**	23,327
Share based payments		**194,760**	714	**194,760**	714
Impairments		**2,028,235**	-	**4,477,659**	
Interest income		**(6)**	-	**-**	-
Finance costs		**68,812**	6,864	**-**	-
Foreign exchange on operating activities		**173,467**	(44,966)	**59,886**	(54,031)
Increase in inventories		**(88,488)**	-	**-**	-
(Increase)/decrease in trade and other receivables		**(139,144)**	(355,659)	**13,466**	(282,914)
Increase in trade and other payables		**473,685**	804,327	**264,327**	524,677
Cash used in operations		**(2,925,249)**	**(696,217)**	**(933,951)**	**(186,316)**
Interest expense	10	**(68,812)**	(6,864)	**-**	-
Net cash used in operating activities		**(2,994,061)**	**(703,081)**	**(933,951)**	**(186,316)**
Cash Flows used in Investing Activities					
Purchases of intangible assets	13	**-**	(469,372)	**-**	-
Purchases of property, plant and equipment	14	**(64,471)**	(49,541)	**(4,425)**	(1,039)
Purchase of subsidiaries (net of cash acquired in the Group)		**(970,177)**	-	**(980,643)**	-
Interest income		**6**	-	**-**	-
Loans to subsidiary undertakings		**-**	-	**(2,115,606)**	(1,107,436)
Net cash used in investing activities		**(1,034,642)**	**(518,913)**	**(3,100,674)**	**(1,108,475)**
Cash Flows from Financing Activities					
Net proceeds from borrowings		**244,881**	34,018	**-**	-
Issue of shares, net of issue costs		**5,165,927**	1,294,793	**5,165,927**	1,294,793
Net cash generated from financing activities		**5,410,808**	**1,328,811**	**5,165,927**	**1,294,793**
Net increase in cash and cash equivalents		**1,382,105**	**106,817**	**1,131,302**	**2**
Exchange losses		**(3,665)**	-	**-**	-
Cash and cash equivalents at beginning of year		**106,817**	-	**2**	-
Cash and cash equivalents at 31 December 2015		**1,485,257**	**106,817**	**1,131,304**	**2**

CONSOLIDATED AND PARENT COMPANY CASH FLOW STATEMENTS (continued)
For the year ended 31 December 2015

Major non-cash transactions

On 15 October 2015 the Company issued 2,750,000 new ordinary shares of 1p each as consideration for business acquisitions. On the same date the Company issued 1,559,031 new ordinary shares of 1p each to satisfy payables and amounts owed by the Group. Also on this date the Company granted the following warrants:

- 25,690,968 warrants to subscribe for new ordinary shares at an exercise price of 8 pence per share exercisable for a period of 1 year; and
- 989,025 warrants to subscribe for new ordinary shares at an exercise price of 5 pence per share exercisable for a period of 5 years.

On 11 December 2015, the Company granted 9.2 million warrants exercisable for 5 years from the date of grant at an exercise price of 8.3875p as part consideration for business acquisitions. On the same date the Company issued 858,000 new ordinary shares of 1p each to satisfy payables and amounts owed by the Group.

The notes on pages 24 to 53 form part of these Financial Statements.

1 General information

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

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

2 Summary of accounting policies

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

(a) Basis of preparation

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

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

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

(b) Going concern basis

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

The assessment has been made based on the Group's economic prospects which have been included in the financial budget for the years 2016-2018, and for managing working capital, in particular for the twelve months form the date of approval of the Financial Statements. Consideration has also been given in respect of the Group's past losses and its net current liability position at the year end. 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 which are expected to contribute positively to cash flow in the short term.

The Directors have also considered the ability to raise funds on the open market and has demonstrated the ability to do so through share issues after the reporting date. The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk can be found in the Strategic Report and in Note 26.

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

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

(c) New and amended standards

(i) New and amended standards mandatory for the first time for the financial year beginning 1 January 2015

There were no IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning 1 January 2015 that had a material impact on the Group or Company.

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

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

Standard	Impact on initial application	Effective date
IAS 1 (Amendments)	Presentation of Financial Statements: Disclosure Initiative	1 January 2016
IAS 7 (Amendments)	Disclosure Initiative	*1 January 2017
IAS 12 (Amendments)	Recognition of Deferred Tax	*1 January 2017
IAS 16 (Amendments)	Clarification of Acceptable Methods of Depreciation	1 January 2016
IAS 27 (Amendments)	Equity method in Separate Financial Statements	1 January 2016
IAS 38 (Amendments)	Clarification of Acceptable Methods of Amortisation	1 January 2016
IFRS 9	Financial Instruments	*1 January 2018
IFRS 11 (Amendments)	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 12 (Amendments)	Investment Entities: Applying the Consolidation Exception	*1 January 2016
IFRS 15	Revenue from Contracts with Customers	*1 January 2018
IFRS 16	Leases	*1 January 2019
Annual Improvements	2010 – 2012 Cycle	1 February 2015
Annual Improvements	2012 - 2014 Cycle	1 January 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

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

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

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

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

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

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

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

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

Subsidiaries

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

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

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

(e) Business combinations

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

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

Acquisition related costs are expensed as incurred.

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

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

(f) Segmental reporting

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

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 year.

(g) Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

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

(h) Intangible assets

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

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

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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

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

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

The Group's 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.

(i) Property, plant and equipment

All property, plant and equipment are shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the financial year in which they are incurred.

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

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

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

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

(j) Impairment of non-financial assets

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

(k) Financial assets

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

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

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

(l) Impairment of financial assets

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

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

(m) Inventories

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

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

(n) Trade and other receivables

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

(o) Cash and cash equivalents

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

(p) Share capital and reserves

Equity comprises the following:

- "Share Capital" represents ordinary shares issued at par value
- "Share Premium" represents the premium paid on shares issued above par value; and
- "Retained earnings" represents retained losses.
- "Merger reserve" - The merger arose from the difference between the carrying value of the investment and the nominal value of the shares of subsidiaries upon consolidation under merger accounting.

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

(q) Share-based payments

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

(r) Trade and other payables

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

(s) Borrowings

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

(t) Compound financial instruments

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

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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

(u) Revenue recognition

The Group generates its revenue from the 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 year under review.

(v) Current and deferred income tax

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

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

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

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

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

(w) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the year of the lease.

3 Financial risk management

i) Group financial risk factors

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

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

Market risk

(a) Foreign exchange risk
Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the functional currency (GBP Sterling) in which other Group companies are operating. The Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains and losses on retranslation into US Dollar. Only in exceptional circumstances will the Group consider hedging its net investments in

non-US Dollar operations as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques. It is the Group's policy to hold surplus funds over and above working capital requirements in the Parent Company. The Group considers this policy minimises any unnecessary foreign exchange exposure.

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

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

Credit risk

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

Interest rate risk management

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

Liquidity risk management

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

ii) Capital risk management

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

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 year that the asset will generate revenue, which is reviewed annually for appropriateness.

In connection with the business combination detailed in Note 25 the Directors' have determined that the consideration paid did not reflect the fair value of the intangible assets acquired. The fair value of the intangible assets of US$1,800,772 was estimated by applying a number of valuation metrics which include historic performance, commercial upside potential, market benchmarks and application of local market factors.

The Group tests annually whether intangible assets, which have a carrying value as at 31 December 2015 of US$1,870,679, 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 year-end carrying value of these amounts (See note 13 for further details).

Going concern

The Financial Statements have been prepared on a going concern basis. 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$6 million which are expected to start over the coming 12 months and the Directors have prepared a cash flow budget using these assumptions which also included the fact that funds can be raised on the external market.

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:

Revenue from external customers:	2015 US$	2014 US$
Consultancy	**433,001**	606,775
Other fees	**-**	23,910
	433,001	630,685

Revenues are generated in a number of countries analysed as to:	2015 US$	2014 US$
United Kingdom	**320,842**	-
United States of America	**112,159**	630,685
	433,001	630,685

Revenues of approximately US$219,785 (31 December 2014: US$nil) were derived from 3 (31 December 2014: nil) single external customers attributable to segments inside the EU.

Revenues of approximately US$98,231 (31 December 2014: US$552,330) were derived from 2 (31 December 2014: 5) single external customers attributable to segments outside of the EU.

The following customers generated more than 10% of the Group's revenue:	2015 US$	2014 US$
Ready Jet Inc	**81,231**	23,910
BAM Nuttall Limited	**157,583**	-
	238,814	23,910

Carrying amount of assets

	2015 US$	2014 US$
United Kingdom	**3,881,985**	670,830
United States of America	**757,549**	629,507
	4,639,534	1,300,337

Carrying amount of liabilities

	2015 US$	2014 US$
United Kingdom	**2,508,073**	137,572
United States of America	**1,409,915**	344,389
	3,917,988	481,961

6 Operating expenses by nature

	2015 US$	2014 US$
Cost of sales	**87,254**	320,686
PR, marketing and advertising	**283,882**	105,231
Wages, salaries and other staff costs (note 7)	**1,150,244**	519,141
Depreciation	**83,860**	23,083
Amortisation	**211,503**	70,264
Operating lease expenses	**130,265**	89,832
Professional and consultancy fees	**1,495,121**	345,090
Audit fees (note 9)	**59,208**	42,765
Acquisition related expenses	**130,335**	-
Net foreign exchange (gains)	**(130)**	(35,424)
Other expenses	**636,351**	343,997
	4,267,893	1,824,665

7 Staff costs

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

	2015 No.	2014 No.
Directors	**4**	3
Development	**8**	3
Administration	**4**	5
	16	11

Employees', including Directors', costs comprise:

	2015 US$	2014 US$
Wages, salaries and other staff costs	**1,129,441**	813,291
Social security costs	**20,803**	36,121
	1,150,244	849,412

8 Directors

Key management are considered to be Directors.

Group	2015 Short term employee benefits US$	2015 Other US$	2015 Total US$	2014 Short term employee benefits US$	2014 Other US$	2014 Total US$
Russell Peck	27,878	4,976	**32,854**	145,296	-	**145,296**
Graham Peck	34,387	5,525	**39,912**	110,515	-	**110,515**
Robert Salluzzo	27,878	4,193	**32,071**	110,718	-	**110,718**
Tony Dunleavy	7,642	6,906	**14,548**	-	-	**-**
Gerard Dempsey	10,189	2,762	**12,951**	-	-	**-**
Paul Ryan	10,189	2,762	**12,951**	-	-	**-**
Greg Kuenzel	30,566	-	**30,566**	1,333	-	**1,333**
	148,729	27,124	**175,853**	367,862	-	**367,862**

9 Auditors remuneration

	2015 US$	2014 US$
Fees payable to the Company's auditor for the audit of the Parent Company's Financial Statements	**10,000**	10,000
Fees payable to the Company's auditor for other services:		
Audit of the accounts of subsidiaries	**49,208**	32,765
Other non-audit services	**14,432**	114,518
	73,640	157,283

10 Finance costs

	2015 US$	2014 US$
Interest payable and other finance costs	**68,812**	6,864
	68,812	6,864

11 Tax

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

Group **Income tax expense:**	2015 US$	2014 US$
Current tax		
Current year	**-**	-
Deferred tax		
Current year	**-**	-
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	2015 US$	2014 US$
Loss before tax	**(5,931,933)**	(1,200,844)
Tax at the applicable rate of 23.87% (31 December 2014: 31.30%):	**(1,416,040)**	(375,884)
Effect of:		
Expenses not deductible for tax purposes	**524,725**	47,176
Depreciation in excess of capital allowances / (capital allowance in excess of depreciation)	**24,406**	(64,242)
Revenue deduction for capitalised costs - US	**-**	(131,524)
Net tax effect of losses carried forward	**866,909**	524,474
Tax charge for the year / period	**-**	-

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

The tax rate used is a combination of 20.25% standard rate of corporation tax in the UK, US tax rate of 40.00% to give an applicable rate of 23.87%.

The Group has tax losses of approximately US$5,368,000 (31 December 2014: 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 year. There is no difference between the basic and diluted loss per share as the effect on the exercise of options and warrants would be to decrease the earnings per share.

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

Basic and Diluted	2015 US$	2014 US$
Loss after taxation	**(5,931,933)**	(1,200,844)
Weighted average number of shares	**93,993,888**	31,832,975
Earnings per share (cents)	**(6.31)**	(3.77)

Strat Aero Plc

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

13 Intangible assets

Goodwill – Cost and Net Book Value	2015 US$	2014 US$
At 1 January	**-**	-
Acquired through acquisition of subsidiaries (at fair value) (note 25)	**2,042,792**	-
Impairments (note 25)	**(2,028,235)**	-
At 31 December	**14,557**	-

Other intangibles – Group	Customer Lists US$	Intellectual Property US$	Development Costs US$	Total US$
Cost				
At incorporation – 16 July 2014	-	-	-	-
Additions	-	233,265	469,372	702,637
At 31 December 2014	**-**	**233,265**	**469,372**	**702,637**
Acquired through acquisition of subsidiary (Note 25)	540,232	630,270	633,670	1,804,172
Foreign exchange differences	-	(11,236)	(120)	(11,356)
At 31 December 2015	**540,232**	**852,299**	**1,102,922**	**2,495,453**
Accumulated amortisation				
At incorporation – 16 July 2014	-	-	-	-
Charge for the period	-	23,327	46,937	70,264
At 31 December 2014	**-**	**23,327**	**46,937**	**70,264**
Charge for the year	27,012	59,354	125,137	211,503
Foreign exchange differences	-	(2,567)	(23)	(2,590)
At 31 December 2015	**27,012**	**80,114**	**172,051**	**279,177**
Net book value				
At 31 December 2014	**-**	**209,938**	**422,435**	**632,373**
At 31 December 2015	**513,220**	**772,185**	**930,871**	**2,216,276**

Other intangibles – Company	Intellectual Property US$
Cost	
At incorporation – 16 July 2014	-
Additions	233,265
At 31 December 2014	**233,265**
Foreign exchange differences	(11,235)
At 31 December 2015	**222,030**
Accumulated amortisation	
At incorporation – 16 July 2014	-
Charge for the period	23,327
At 31 December 2014	**23,327**
Charge for the year	45,849
Foreign exchange differences	(2,567)
At 31 December 2015	**66,609**
Net book value	
At 31 December 2014	**209,938**
At 31 December 2015	**155,421**

The above intangible assets comprise the Intellectual Property acquired on 16 July 2014 and 30 September 2015 (see note 25). All research and development costs not eligible for capitalisation have been expensed.

The recoverable amount of the above cash-generating units has been determined based on value in use calculations. The key assumptions used for value-in-use calculations in 2015 are as follows:

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

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

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

14 Property, Plant and Equipment

Group	Plant & equipment US$	Motor Vehicles US$	Total US$
Cost			
At incorporation	-	-	-
Additions	194,288	34,032	228,320
At 31 December 2014	**194,288**	**34,032**	**228,320**
Additions	64,471	-	64,471
Acquired through acquisition of subsidiary	258,686	85,517	344,203
Foreign exchange differences	633	-	633
At 31 December 2015	**518,078**	**119,549**	**637,627**
Accumulated depreciation			
At incorporation	-	-	-
Charge for the period	19,680	3,403	23,083
Foreign exchange differences	(251)	-	(251)
At 31 December 2014	**19,429**	**3,403**	**22,832**
Charge for the year	75,544	8,316	83,860
Acquired through acquisition of subsidiary	123,696	35,939	159,635
Foreign exchange differences	(842)	-	(842)
At 31 December 2015	**217,827**	**47,658**	**265,485**
Net book value			
At 31 December 2014	**174,859**	**30,629**	**205,488**
At 31 December 2015	**300,251**	**71,891**	**372,142**

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**
Additions	4,425	-	4,425
Foreign exchange differences	(49)	-	(49)
At 31 December 2015	**5,415**	**-**	**5,415**
Accumulated depreciation			
At incorporation	-	-	-
Charge for the period	104	-	104
At 31 December 2014	**104**	**-**	**104**
Charge for the year	1,125	-	1,125
Foreign exchange differences	14	-	14
At 31 December 2015	**1,243**	**-**	**1,243**
Net book value			
At 31 December 2014	**935**	**-**	**935**
At 31 December 2015	**4,172**	**-**	**4,172**

15 Investment in subsidiary undertakings

Company	2015 US$	2014 US$
As at 1 January or incorporation	**857,100**	-
Additions	**1,413,433**	857,100
Impairments	**(857,099)**	-
Cost at 31 December	**1,413,434**	857,100

The impairment charge recognised in the year relates to the Company's investment in Strat Aero International Inc.

The following are the principal subsidiaries of the Company at 31 December 2015 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
Strat Aero Holdings, Inc	United States of America	Strat Aero Plc	Ordinary	100%	Holding company
Aero Kinetics Labs, LLC	United States of America	Strat Aero Holdings, Inc	N/A	100%	Provider of aviation software, products and services
Aero Kinetics, LLC	United States of America	Strat Aero Holdings, Inc	N/A	100%	Provider of aviation software, products and services
Nephos Services, LLC	United States of America	Strat Aero Holdings, Inc	N/A	100%	Dormant company

Aero Kinetics UAS TC001, LLC	United States of America	Aero Kinetics, LLC	N/A	100%	Dormant company
Geocurve Ltd	England & Wales	Strat Aero Plc	Ordinary	100%	Aviation surveying and mapping
GN Site Engineers Ltd	England & Wales	Geocurve Ltd	Ordinary	100%	Aviation surveying and mapping
UKAeroVision Limited	England & Wales	Geocurve Ltd	Ordinary	100%	Aviation surveying and mapping

16 Inventories

	2015		2014	
	Group US$	**Company US$**	**Group US$**	**Company US$**
Raw materials	**18,009**	**-**	-	-
Work in progress	**70,479**	**-**	-	-
	88,488	**-**	-	-

17 Trade and other receivables

	2015		2014	
	Group US$	**Company US$**	**Group US$**	**Company US$**
Amounts due from group undertakings	**-**	**1,144,620**	-	1,255,495
Trade receivables	**236,808**	**-**	8,606	-
VAT receivable	**47,760**	**69,188**	174,675	128,111
Other receivables	**58,276**	**51,498**	134,341	134,341
Prepayments	**119,970**	**54,769**	38,037	20,462
At 31 December	**462,814**	**1,320,075**	355,659	1,538,409
Less: non-current portion	**-**	**(1,144,620)**	-	(1,255,495)
Current portion	**462,814**	**175,455**	355,659	282,914

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

Ageing of past due trade receivables:	**2015 US$**	**2014 US$**
0 – 15 days	**-**	-
16 – 30 days	**11,401**	2,869
Over 30 days	**225,407**	5,737
	236,808	8,606

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

	2015 US$	2014 US$
US Dollars	**4,400**	8,606
UK Pounds	**232,408**	-
	236,808	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 year-end in respect of trade receivables.

18 Cash and cash equivalents

	2015		2014	
	Group US$	Company US$	Group US$	Company US$
Cash at bank and in hand	**1,485,257**	**1,131,304**	106,817	2
	1,485,257	**1,131,304**	106,817	2

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

	2015		2014	
	Group US$	Company US$	Group US$	Company US$
US Dollars	**202,071**	**-**	34,192	-
UK Pounds	**1,283,186**	**1,131,304**	72,625	2
	1,485,257	**1,131,304**	106,817	2

Strat Aero Plc

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

19 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**
As at 1 January 2015	**76,968,437**	**1,301,737**	**1,642,449**	**2,944,186**
Issue of new shares – 10 March 2015[1]	7,333,334	110,631	834,186	944,817
Issue of new shares – 15 October 2015[2]	30,000,000	463,274	1,671,062	2,134,336
Issue of new shares – 15 December 2015[3]	27,562,000	414,229	2,002,965	2,417,194
Issue of new shares – 22 December 2015	200,000	2,965	20,753	23,718
As at 31 December 2015	**142,063,771**	**2,292,836**	**6,171,415**	**8,464,251**

1. Includes issue costs of US$50,860
2. Includes issue costs of US$309,554
3. Includes issue costs of US$169,809

On 10 March 2015 the Company issued 7,333,334 new ordinary shares of 1p each at a price of 9p per share raising a total of £660,000 before expenses.

On 15 October 2015 the Company issued the following new ordinary shares of 1p each:

- 2,750,000 as consideration for business acquisitions
- 25,690,969 at 5p per share raising £1,284,548 before expenses
- 1,559,031 to satisfy payables and amounts owed by the Group

On 15 December 2015 the Company issued the following new ordinary shares of 1p each:

- 26,704,000 at 6.25p per share raising £1,669,000 before expenses
- 858,000 to satisfy payables and amounts owed by the Group

On 22 December 2015 the Company issued 200,000 new ordinary shares of 1p each as a result of an exercise of 200,000 warrants exercisable at 8p each.

20 Share based payments

Warrants

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

	2015		2014	
	No. of warrants	Weighted average price £	No. of warrants	Weighted average price £
At 1 January or incorporation	459,375	0.08	-	-
Granted during the year	35,879,993	0.08	459,375	0.08
Exercised during the year	(200,000)	0.08	-	-
Outstanding at 31 December	**36,139,368**	**0.08**	**459,375**	**0.08**
Exercisable at 31 December	**36,139,368**	**0.08**	**459,375**	**0.08**

The warrants outstanding at 31 December 2015 had a weighted average remaining contractual life of 1.96 years (31 December 2014: 4.9 years).

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

Fair value of warrants

The fair value of the warrants issued during 2015 was determined using the Black Scholes valuation model. The assumptions used in applying the Black Scholes pricing model were as follows:

	December 2015	October 2015 A	October 2015 B
Granted on:	11 Dec 2015	15 Oct 2015	15 Oct 2015
Share price at the date of grant	6.63p	7.25p	7.25p
Exercise price	8.3875p	8p	5p
Expected volatility	22.37%	27.77%	27.77%
Expected warrant life	5 years	1 year	5 years
Risk free rate	1.79%	1.79%	1.79%

The volatility was determined by examining the monthly share price.

On 15 October 2015 the Company granted 25,690,968 warrants to subscribe for new ordinary shares at an exercise price of 8 pence per share exercisable for a period of 1 year. On the same date the Company granted 989,025 warrants to subscribe for new ordinary shares at an exercise price of 5 pence per share exercisable for a period of 5 years.

On 11 December 2015 the Company granted 9,200,000 warrants to subscribe for new ordinary shares at an exercise price of 8.3875 pence per share exercisable for a period of 5 years.

On 22 December 2015 the Company issued 200,000 new ordinary shares of 1p each as a result of an exercise of 200,000 warrants exercisable at 8p each.

21 Other reserves

	Company		Group		
	Share option and warrants reserve	Total	Share option and warrants reserve	Merger reserve	Total
	US$	US$	US$	US$	US$
At incorporation	-	**-**	-	-	**-**
Share warrants issued (note 20)	714	**714**	714	-	**714**
Acquisition of subsidiaries	-	**-**	-	(857,098)	**(857,098)**
At 31 December 2014	714	**714**	714	(857,098)	**(856,384)**
As at 1 January 2015	714	**714**	714	(857,098)	**(856,384)**
Share warrants issued (note 20)	283,730	**283,730**	283,730	-	**283,730**
Share warrants exercised (note 20)	(1,356)	**(1,356)**	(1,356)	-	**(1,356)**
At 31 December 2015	283,088	**283,088**	283,088	(857,098)	**(574,010)**

22 Trade and other payables

	2015		2014	
	Group	Company	Group	Company
	US$	US$	US$	US$
Trade payables	**568,330**	**150,001**	337,948	84,959
Social security and other taxes	**116,671**	**-**	26,661	-
Deferred consideration payable for business combinations	**762,145**	**762,145**	-	-
Accruals	**416,945**	**251,899**	52,614	52,614
Other creditors	**92,707**	**-**	-	-
	1,956,798	**1,164,045**	417,223	137,573

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

Ageing of Group past due trade payables:

	2015	2014
	US$	US$
0 – 30 days	**122,997**	46,987
31 – 60 days	**128,970**	33,197
Over 60 days	**316,363**	257,764
	568,330	337,948

23 Borrowings

	2015		2014	
	Group	**Company**	**Group**	**Company**
	US$	**US$**	**US$**	**US$**
Convertible loans	**763,675**	**763,675**	-	-
Non-convertible loans	**381,000**	**-**	-	-
Shareholder loans	**398,313**	**-**	64,738	-
Other borrowings	**58,048**	**-**	-	-
At 31 December	**1,601,036**	**763,675**	64,738	-
Less: non-current portion	**(1,211,036)**	**(763,675)**	(64,738)	-
Current portion	**390,000**	**-**	-	-

Convertible loans and non-convertible loans are unsecured loans relating to business acquisitions repayable over 3 years commencing from 30 June 2016 and accrue interest at a rate of 7.5% per annum. The convertible loan note is convertible into new ordinary shares of 1p each in the Company at a price of 6p per share. The non-convertible loan is repayable in cash.

Shareholder loans and other borrowings are unsecured and accrue no interest.

24 Deferred tax

	2015		2014	
	Group	**Company**	**Group**	**Company**
	US$	**US$**	**US$**	**US$**
Deferred tax liabilities				
Deferred tax liability after more than 12 months	**360,154**	**-**	-	-
Deferred tax liabilities	**360,154**	**-**	-	-

The movement in the deferred tax account is as follows:

	2015		2014	
	Group	**Company**	**Group**	**Company**
	US$	**US$**	**US$**	**US$**
At 1 January	**-**	**-**	-	-
Acquisition of subsidiary (note 25)	**360,154**	**-**	-	-
At 31 December	**360,154**	**-**	-	-

25 Business combinations

Geocurve

On 30 September 2015 the Group acquired 100% of the share capital of Geocurve Holdings Ltd (renamed to Geocurve Ltd on 1 October 2015 and henceforth referred to as "Geocurve") for an aggregate consideration of US$1,448,038. Geocurve provides unmanned aerial vehicle ("UAV") 3D modelling, mapping and surveying solutions. As a result of this acquisition the Group is expected to increase its presence in this market and commodity.

The goodwill of US$14,557 arising from the acquisition is attributable to the expected upside potential of developing the business. None of this goodwill is expected to be deductible for tax purposes.

The following table summarises the consideration paid for Geocurve and the amounts of the assets acquired and liabilities assumed, recognised at the acquisition date.

Consideration at 30 September 2015	**US$**
Cash	333,617
Initial share consideration (2,750,000 ordinary shares at 8 pence per share)	333,617
Deferred consideration	780,804
Total consideration	**1,448,038**

Recognised amounts of identifiable assets acquired and liabilities assumed	**US$**
Cash and cash equivalents	10,466
Trade and other receivables	82,653
Property, plant and equipment	140,939
Intangibles – Customer lists	540,232
Intangibles – Intellectual property	630,270
Intangibles – Development costs	630,270
Trade and other payables	(241,195)
Deferred tax liabilities	(360,154)
Total identifiable net assets	**1,433,481**
Goodwill (note 13)	**14,557**
Total consideration	**1,448,038**

The fair value of the initial share consideration, being 2,750,000 ordinary shares of 1p each as for US$333,617 (£220,000) was based on the agreed price of 8 pence per share. The deferred consideration is to be satisfied by the payment of £100,000 in cash and the balance settled via the issue of new ordinary shares of at a price to be agreed with the previous owners of Geocurve.

The value of the deferred consideration has not been discounted as the effect of discounting would not be material.

The fair value of the intangible assets of US$1,800,772 was estimated by applying a number of valuation metrics which include historic performance, commercial upside potential, market benchmarks and application of local market factors. In the Directors' opinion, the value of the consideration paid to effect the acquisition related primarily to the value of the intangible assets and the related commercial upside potential representing a price agreed between willing and knowledgeable parties on an arm's length basis. Therefore, the fair value of the consideration transferred, after consideration of tax implications and the removal of the fair value of other identifiable assets acquired, has been used as a basis for valuing the intangible assets acquired.

A deferred tax liability of US$360,154 has been recognised on acquisition on the estimated tax effect of the temporary difference between the fair value of the intangible assets and their tax base.

The deferred tax liability has been estimated at a rate of 20% of the temporary difference, representing the tax rates that are expected to apply to the period when the temporary differences reverse. In accordance with IAS 12, the deferred tax liability recognised has not been discounted.

Had Geocurve been consolidated from 1 January 2015, the consolidated income statement would have included an additional US$535,596 of revenue and a US$95,954 reduced loss.

Aero Kinetics

On 11 December 2015 the Group acquired 100% of the share capital of Strat Aero Holdings, Inc for an aggregate consideration of US$1,915,800. Through its wholly owned subsidiaries, Aero Kinetics LLC, Aero Kinetics Labs LLC and Nephos Services LLC (together "Aero Kinetics"), Aero Kinetics provides UAV technology solutions. As a result of this acquisition the Group is expected to increase its presence in this market and commodity.

The goodwill of US$2,028,235 arising from the acquisition has been fully impaired (see note 13) due to uncertainty regarding the value of the business acquired and the associated ongoing legal action (further detail below). None of this goodwill is expected to be deductible for tax purposes.

The following table summarises the consideration paid for Aero Kinetics and the amounts of the assets acquired and liabilities assumed, recognised at the acquisition date.

Consideration at 11 December 2015	**US$**
Cash	425,000
Assumption of previous owners outstanding creditors	230,000
9,200,000 warrants exercisable at 8.3875p	104,800
Convertible loan note	775,000
Non-convertible loan note	381,000
Total consideration	**1,915,800**

Recognised amounts of identifiable assets acquired and liabilities assumed	**US$**
Cash and cash equivalents	-
Trade and other receivables	89,781
Property, plant and equipment	43,629
Intangibles	11,051
Trade and other payables	(256,896)
Total identifiable net assets	**(112,435)**
Goodwill (note 13)	**2,028,235**
Total consideration	**1,915,800**

The fair value of the 9,200,000 warrants valid for 5 years from the date of grant and exercisable at 8.3875p per share was determined using the Black Scholes methodology.

The US$775,000 convertible loan note is repayable over 3 years commencing from 30 June 2016 and accrues interest at a rate of 7.5% per annum. The convertible loan note is convertible into new ordinary shares of 1p each in the Company at a price of 6p per share.

The US$381,000 non-convertible loan is repayable in cash over 3 years commencing from 30 June 2016 and accrues interest at a rate of 7.5% per annum.

In addition to the 9,200,000 warrants, a further 6 million performance based warrants are potentially payable as follows (the "Performance Warrants"):

- 2 million warrants exercisable at 10p per share for achieving FAA Type Certification;
- 2 million warrants exercisable at 20p per share for achieving sales of US$10 million; and
- 2 million warrants exercisable at 50p per share for achieving sales of US$30 million.

Nothing has been recognised in relation to the Performance Warrants as it is considered to be very unlikely they will be realised.

Following the acquisition of Aero Kinetics, the Company filed a legal action on 1 April 2016 in the United States of America against Mr W. Hulsey Smith ("Mr. Smith"), the vendor of Aero Kinetics, on counts of fraud and breach of contract arising from misrepresentations made by Mr. Smith upon which the Company relied and were material in the Company's decision to acquire Aero Kinetics. The Company also terminated the services of Mr. Smith in relation to Aero Kinetics.

On 6 April 2016 the Company and its Directors received a defence and counterclaim from Mr. Smith. The Company continues to believe and has been advised that it has a strong claim and a robust defence against Mr. Smith. The Company intends to continue to vigorously pursue its claims against Mr. Smith and believe his counterclaims and purported defence to be without merit.

There are a number of potential resolutions available to the Company in relation to the legal action including a settlement, rescission of the purchase of Aero Kinetics as well as actual and consequential damages. Unless settled, the court has set a date of October 2016 for the case to be heard.

As a consequence of these material events regarding Aero Kinetics, the Board of the Company have taken the prudent action to fully impair the investment in Aero Kinetics as at 31 December 2015, which amounts to an impairment charge of US$2,028,235.

Had Aero Kinetics been consolidated from 1 January 2015, the consolidated income statement would have included an additional US$245,943 of revenue and US$489,527 loss.

26 Financial instruments

Categories of financial instruments

	2015 Group US$	**2014 Company US$**
Assets – Loans and receivables		
Trade and other receivables (excluding prepayments)	254,357	102,686
Cash and cash equivalents	1,485,257	1,131,304
	1,739,614	**1,233,990**
Liabilities – At amortised cost		
Trade and other payables (excluding non-financial liabilities)	1,217,781	425,028
Borrowings	1,211,036	763,675
	2,428,817	**1,188,703**

	2014	
	Group	**Company**
	US$	**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**

27 Financial commitments

Operating leases

At 31 December 2015 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014	
	Land and buildings	**Land and buildings**
	US$	**US$**
No later than one year	**146,520**	107,416
Later than one year but no later than 5 years	**127,099**	124,017
Total future minimum lease payments	**273,619**	231,433

28 Related party transactions

Directors' transactions

On 15 October 2015 the Company raised £1.28 million by way of placing 25,690,969 new ordinary shares of 1p each (the "October Placing"). Certain directors and previous directors of the Company participated in the October Placing as follows:

- Russell Peck subscribed for 720,456 new ordinary shares of 1p each for £36,023
- Robert Salluzzo subscribed for 607,109 new ordinary shares of 1p each for £30,355
- Graham Peck subscribed for 799,955 new ordinary shares of 1p each for £39,998
- Tony Dunleavy subscribed for 1,000,000 new ordinary shares of 1p each for £50,000
- Gerard Dempsey subscribed for 400,000 new ordinary shares of 1p each for £20,000
- Paul Ryan subscribed for 400,000 new ordinary shares of 1p each for £20,000

During the prior year, Russell Peck provided to Strat Aero International Inc advances amounting to US$333,575 (31 December 2014: US$398,533) to fund its operations and working capital requirements. The balance outstanding at the year-end was US$398,313 (31 December 2014: US$64,738).

Tony Dunleavy, a director of the Company, provided corporate management services to the Group approximately five months before his appointment as a director of the Company and thereafter. An amount of US$275,094 has been invoiced for these services provided during the year. The balance owed by the Company to Tony Dunleavy at the year-end is US$15,283.

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$87,817 (31 December 2014: US$10,409) has been invoiced for these services provided during the year. The balance owed by the Company to Heytesbury Corporate at the year-end is US$235 (31 December 2014: US$10,409).

Directors remuneration is disclosed in note 8.

Parent Company transactions with subsidiary companies

During the year the Company received US$184,194 (31 December 2014: US$nil) management fees from its subsidiaries. At the year-end US$1,144,620 was due from the subsidiary companies as follows (note 17).

- Strat Aero International Limited US$736,085 (2014: US$730,163)
- Strat Aero International Inc US$nil (2014: US$525,332)
- Geocurve Ltd US$408,535 (2014: US$nil)

29 Events after the Reporting Year

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

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

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

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

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COMPANY INFORMATION

Directors	Graham Peck	(*Executive Chairman)*
	Iain McLure	(*Chief Executive Officer*)
	Gerard Dempsey	(*Chief Financial Officer)*
	Paul Ryan	(*Non-executive Director*)
	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	
Joint Broker	Cornhill Capital Limited 4th Floor, 18 St Swithin's Lane London EC4N 8AD	
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	

COMPANY INFORMATION (continued)

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.

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

Iain McLure (aged 58, Irish)
Chief Executive Officer

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

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

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

Strat Aero Plc

COMPANY INFORMATION (continued)

Gerard Dempsey (aged 53, Irish)
Chief Financial Officer

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

Paul Ryan (aged 49, Irish)
Non-Executive Director

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

Gregory ("Greg") Kuenzel (aged 44, 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.