

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or the action you should take, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with the application for admission to trading on AIM of the entire issued and to be issued ordinary share capital of the Company. It is expected that Admission will become effective and that trading in the Ordinary Shares will commence on AIM on 17 November 2014. This document does not constitute an offer or constitute any part of an offer to the public within the meaning of sections 85 and 102B of FSMA. Accordingly this document does not comprise a prospectus within the meaning of section 85 of FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by or filed with the Financial Conduct Authority or any other competent authority.

Application will be made for all of the Ordinary Shares, issued and to be issued, to be admitted to trading on AIM, a market operated by London Stock Exchange plc (the "London Stock Exchange"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The AIM Rules for Companies are less demanding than those of the Official List. The Ordinary Shares are not dealt in on any other recognised investment exchange and, apart from the application for admission to AIM, no other such applications have been made or will be made.

The Directors, whose names are set out on page 6 of this document, and the Company accept individual and collective responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All of the Directors accept individual and collective responsibility for compliance with the AIM Rules for Companies. The whole of this document should be read. An investment in the Company is speculative. The attention of prospective investors is drawn in particular to Part II of this document which sets out certain risk factors relating to any investment in Ordinary Shares. All statements regarding the Group's business, financial position and prospects should be viewed in light of these risk factors.

STRAT AERO PLC

(Registered in England and Wales under the Companies Act 2006 with registered number 9109008)

Placing of 8,125,000 Ordinary Shares at 8 pence per Ordinary Share and Admission to trading on AIM

Nominated Adviser and Joint Broker

Joint Broker



SHARE CAPITAL

(immediately following Admission)

Issued and fully paid Ordinary Shares of £0.01 each

Number	£
76,968,437	769,684

The Placing is conditional, *inter alia*, on Admission taking place by 8.00 am on 17 November 2014 (or such later date as the Company, SP Angel and Beaufort may agree, being not later than 30 November 2014). The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends or other distributions declared, made or paid on the Ordinary Shares after Admission. It is expected that Admission will take place, and that trading in the Ordinary Shares will commence, on 17 November 2014. The Ordinary Shares are not traded on any other recognised investment exchange and no other applications have been made.

This document does not constitute an offer to sell or issue, or the solicitation of an offer to subscribe for or buy, Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation. In particular, this document is not for distribution in or into the United States of America, Canada, Japan, the Republic of South Africa or Australia. The issue of the Ordinary Shares has not been, and will not be, registered under the applicable securities laws of the United States of America, Canada, Japan, the Republic of South Africa or Australia and the Ordinary Shares may not be offered or sold directly or indirectly within the United States of America, Canada, Japan, the Republic of South Africa or Australia or to, or for the account or benefit of, any persons within the United States of America, Canada, Japan, the Republic of South Africa or Australia.

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933 and may not be offered or sold within the United States.

SP Angel Corporate Finance LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company as its nominated adviser and joint broker in connection with the Placing and Admission and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to customers of SP Angel or for advising any other person in respect of the Placing and Admission. SP Angel's responsibilities as the Company's nominated adviser and joint broker under the AIM Rules for Companies and the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of such person's decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by SP Angel as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued) and SP Angel has not authorised the contents of any part of this document and accepts no liability whatsoever for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document for which the Company and the Directors are solely responsible.

Beaufort Securities Limited ("Beaufort"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company as joint broker in connection with the Placing and Admission and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to customers of Beaufort or for advising any other person in respect of the Placing and Admission. No representation or warranty, express or implied, is made by Beaufort as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued) and Beaufort has not authorised the contents of any part of this document and accepts no liability whatsoever for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document for which the Company, the Directors are solely responsible.

The information contained in this document has been prepared solely for the purposes of the Placing and Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off market) and accordingly no duty of care is accepted in relation to them.

No person has been authorised to give any information or to make any representation about the Company and about matters the subject of this document other than those contained in this document. If any such information or representation is made or given then it must not be relied upon as having been so authorised. The delivery of this document shall not imply that no change has occurred in the Company's affairs since the date of issue of this document or that the information in this document is correct as at any time after the date of this document, save as shall be required to be updated by law or regulation.

Copies of this document will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the offices of the Company and at SP Angel at Prince Frederick House, 35-39 Maddox Street, London W1S 2PP from the date of this document until the date which is one month from the date of Admission. Additionally, an electronic version of this document will be available on the Company's website, www.strat-aero.com.

IMPORTANT INFORMATION

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of Ordinary Shares and any income from Ordinary Shares (if any) can go down as well as up and investors may not realise the value of their initial investment. Prospective Shareholders should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see further under "Part II: Risk Factors" of this document).

Potential investors contemplating an investment in Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Company. No assurance is given, express or implied, that Shareholders will receive back the amount of their investment in Ordinary Shares.

If you are in any doubt about the contents of this document you should consult your stockbroker or your financial or other professional adviser.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Potential investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this document are based on the laws and practices currently in force in England and Wales and are subject to changes therein.

This document should be read in its entirety before making any investment in the Company.

The contents of the Company's website, including any websites accessible from hyperlinks on the Company's website, do not form part of this document.

FORWARD LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, "forward-looking statements". These statements relate to, among other things, analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to the Company's future prospects, developments and business strategies.

These forward-looking statements can be identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will" or the negative of those variations, or comparable expressions, including references to assumptions. These statements are primarily contained in Part I of this document.

The forward-looking statements in this document, including statements concerning projections of the Company's future results and operations are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

Certain risks to and uncertainties for the Company are specifically described in Part II of this document headed "Risk Factors". If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document are based on certain factors and assumptions, including the Board's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's operations, results of operations, growth strategy and liquidity. Whilst the Board considers these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Prospective investors should therefore specifically consider the risk factors contained in Part II of this document that could cause actual results to differ before making an investment decision. Save as required by law or by the AIM Rules for Companies, the Company undertakes no obligation to release publicly the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Board's expectations or to reflect events or circumstances after the date of this document.

MARKET AND FINANCIAL INFORMATION

The data, statistics and information and other statements in this document regarding the markets in which the Company operates, or the Company's position therein, are based on the Company's records or are taken or derived from statistical data and information derived from the sources described in this document.

In relation to these sources, such information has been accurately reproduced from the published information and, so far as the Board is aware and are able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

Various figures and percentages in tables in this document have been rounded and accordingly may not total. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

All times referred to in this document are, unless otherwise stated, references to London time.

CURRENCIES

Unless otherwise indicated, all references in this document to: (a) "£", "pounds sterling", "sterling", "pence" or "p" are to the lawful currency of the United Kingdom and (b) "US\$", "\$", "US Dollar", "USD", are to the lawful currency of the United States of America.

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PLACING STATISTICS

Placing Price	8 pence
Number of Existing Ordinary Shares	68,843,437
Number of Placing Shares	8,125,000
Number of Ordinary Shares in issue following the Placing and Admission	76,968,437
Percentage of Enlarged Share Capital represented by the Placing Shares	10.6%
Market capitalisation upon Admission at the Placing Price	£6.2 million
Estimated gross proceeds of the Placing receivable by the Company	£650,000
Estimated net proceeds of the Placing receivable by the Company	£300,000
ISIN	GB00BQQPLG38
SEDOL	BQQPLG3
TIDM	AERO

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	7 November 2014
Admission effective and dealings in the Enlarged Share Capital commence on AIM	17 November 2014
CREST accounts to be credited	8.00 am on 17 November 2014
Where applicable, share certificates in respect of Placing Shares to be dispatched	by 1 December 2014

Each of the times and dates set out above and mentioned elsewhere in this document may be subject to change at the absolute discretion of the Company, SP Angel and Beaufort.

EXCHANGE RATE

Exchange rate used throughout this document:

£1.00 = US\$1.60

DIRECTORS, SECRETARY AND ADVISERS

Directors	Graham Douglas Grindell Peck (<i>Executive Chairman</i>) Russell Maurice Peck (<i>Chief Executive Officer</i>) Robert James Salluzzo (<i>Chief Financial Officer</i>) Gregory Kuenzel (<i>Non-executive Director</i>) <i>all of the Company's registered office</i>
Company Secretary	Heytesbury Corporate LLP
Registered Office	The Beehive City Place Gatwick Airport West Sussex RH6 0PA
Website	www.strat-aero.com
Company telephone number	+44 (0)1293 804741
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
Legal Advisers to the Company (as to English law)	Kerman & Co LLP 200 Strand London WC2R 1DJ
Legal Advisers to the Company (as to US law)	Dooley & Associates, P.C. 14228 Midway Road Suite 214 Dallas Texas 75204
Legal Advisers to the Nominated Adviser and Joint Brokers (as to English law)	Square One Law LLP Anson House Burdon Terrace Newcastle upon Tyne Tyne & Wear NE2 3AE
Auditors to the Company and Reporting Accountants	PKF Littlejohn LLP 1 Westferry Circus Canary Wharf London E14 4HD

Registrar

Share Registrars Limited

Suite E
First Floor
9 Lion and Lamb Yard
Farnham
Surrey
GU9 7LL

**Public Relations Adviser
to the Company**

St Brides Media & Finance Limited

3 St Michael's Alley
London
EC3V 9DS

DEFINITIONS

“Act”	the Companies Act 2006, as amended from time to time;
“Admission”	admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies;
“AIM”	AIM, a market operated by the London Stock Exchange;
“AIM Rules”	together, the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
“AIM Rules for Companies”	the rules for AIM companies published by the London Stock Exchange;
“AIM Rules for Nominated Advisers”	the rules for nominated advisers to AIM companies published by the London Stock Exchange;
“AIMS”	the Aerospace Information Manager Software;
“AIMS IP”	the intellectual property rights embodied in the AIMS;
“Articles”	the articles of association of the Company;
“Audit Committee”	the audit committee of the Board, the function and composition of which are set out in paragraph 14.1 of Part I of this document;
“Beaufort”	Beaufort Securities Limited, joint broker to the Company;
“Beaufort Warrant Deed”	a warrant deed dated 7 November 2014 executed by the Company and constituting the Beaufort Warrants;
“Beaufort Warrants”	337,500 warrants to subscribe for Ordinary Shares in the Company pursuant to the Beaufort Warrant Deed;
“Board” or “Directors”	the board of directors of the Company, as at the date of this document, whose names are set out on page 6 of this document and “Director” shall mean any one of them;
“Business Day”	a day (other than Saturdays or Sundays or public holidays) on which the banks are open for business in London;
“certificated” or “in certificated form”	the description of a share or other security that is not in uncertificated form (that is, not in CREST);
“Company” or “Strat Aero”	Strat Aero plc, incorporated in England and Wales with registered number 9109008;
“Controlling Shareholder”	has the meaning given to it in paragraph 19 of Part I of this document;
“CREST”	the computerised settlement system and procedures to facilitate the holding and transfer of title of shares in uncertificated form operated by Euroclear UK & Ireland Limited;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended from time to time);
“Disclosure and Transparency Rules”	the disclosure and transparency rules made by the FCA;

“ECG”	Emirates Consultancy Group, having its corporate headquarters located at Emirates Consultancy Group, Post Box 4644, Sharjah, UAE;
“EEA state”	any member state of the European Economic Area which has implemented the Prospectus Directive;
“EIS”	Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007;
“EMENA”	Europe, Middle East and North Africa;
“Enlarged Share Capital”	76,968,437 Ordinary Shares, being the Existing Ordinary Shares and the Placing Shares;
“Euroclear”	Euroclear UK & Ireland Limited;
“Excluded Territory”	means the United States of America, Canada, Australia, Japan and the Republic of South Africa and any other jurisdiction where the extension or availability of the Placing would breach any applicable law;
“Existing Ordinary Shares”	the 68,843,437 Ordinary Shares in issue prior to the Placing and as at the date of this document;
“Family Member”	in relation to a Locked-in Shareholder, any of his parents, siblings, spouse (or widow) or children (including step children and adopted children, but not spouses of children and spouses of adopted children) or grandchildren (including step and adopted grandchildren, but not spouses of grandchildren and spouses of step grandchildren);
“Family Trust”	in relation to a Locked-in Shareholder, a trust which does not permit any of the settled property or the income from it to be applied otherwise than for the benefit of that Locked-in Shareholder or any of his Family Members and under which no power of control over the voting powers conferred by any shares the subject to the trust is capable of being exercised by, or being subject to the consent of, any person other than the trustees or such Locked-in Shareholder or any of his Family Members;
“Financial Conduct Authority” or “FCA”	the Financial Conduct Authority of the United Kingdom acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
“FSMA”	the Financial Services and Markets Act 2000, as amended;
“Governance Code”	the UK Corporate Governance Code on the principles of good corporate governance published by the Financial Reporting Council in September 2012;
“Group”	the Company and the Subsidiaries and “Strat Aero Group” shall have the same meaning;
“HMRC”	Her Majesty’s Revenue and Customs;
“IFRS”	International Financial Reporting Standards as adopted for use in the European Union;
“ISIN”	International Securities Identification Number;

“Locked-in Shareholders”	the Directors who are Shareholders being Russell Peck, Graham Peck and Robert Salluzzo and their Related Parties, and Jonathan Adams, Bruce Oaster and their Related Parties;
“London Stock Exchange”	London Stock Exchange plc;
“NREL”	National Renewable Energy Laboratory;
“Nomination Committee”	the nomination committee of the Board, the function and composition of which are as set out in paragraph 14.3 of Part I of this document;
“Northrop Grumman”	Northrop Grumman Technical Services Inc, a company organised and existing under the laws of Oklahoma, having offices at 4067 Enterprise Way, Sierra Vista, AZ 85635;
“Official List”	the Official List of the UK Listing Authority;
“Ordinary Shares”	ordinary shares of 1 pence each in the capital of the Company;
“Panel”	the UK Panel on Takeovers and Mergers;
“Placee”	any person subscribing for or purchasing Ordinary Shares pursuant to the Placing;
“Placing”	the conditional placing of the Placing Shares at the Placing Price pursuant to and on the terms and conditions set out in the Placing Agreement;
“Placing Agreement”	the conditional agreement dated 7 November 2014 relating to the Placing between (1) the Company, (2) the Directors, (3) SP Angel and (4) Beaufort further details of which are set out in paragraph 10.7 of Part VI of this document;
“Placing Price”	8 pence per Placing Share;
“Placing Shares”	the 8,125,000 Ordinary Shares to be issued by the Company pursuant to the Placing;
“Prospectus Directive”	EU Directive 2003/71/EC (as amended) and including any implementing measure in any EEA state;
“Prospectus Rules”	the Prospectus Rules brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No 809/2004 and published by the FCA pursuant to section 73A of FSMA;
“QCA”	the Quoted Companies Alliance;
“QCA Guidelines”	the Corporate Governance Code for Small and Mid-size Quoted Companies published by the QCA in May 2013;
“Registrar”	Share Registrars Limited;
“Regulatory Information Service” or “RIS”	a regulatory information service provider that is approved by the FCA;
“Related Party”	has the same meaning as the definition of the term “related party” in Part One of the AIM Rules except that such term shall be read as including Family Members and Family Trusts;

“Relationship Deed”	the relationship deed dated 7 November 2014 between (1) the Company, (2) Captain Russell Peck, (3) SP Angel and (4) Beaufort, further details of which are set out in paragraph 10.10 of Part VI of this document;
“Remuneration Committee”	the remuneration committee of the Board, the function and composition of which are as set out in paragraph 14.2 of Part I of this document;
“SAIL Inc”	Strat Aero International, Inc., incorporated in the State of Delaware, US;
“SAIL Ltd”	Strat Aero International Limited, incorporated in England and Wales;
“SDRT”	stamp duty reserve tax;
“Securities Act”	the United States Securities Act of 1933, as amended;
“Shareholders”	holders of Ordinary Shares;
“SP Angel”	SP Angel Corporate Finance LLP, nominated adviser and joint broker to the Company on Admission;
“SP Angel Warrant Deed”	a warrant deed dated 7 November 2014 executed by the Company and constituting the SP Angel Warrants
“SP Angel Warrants”	121,875 warrants to subscribe for Ordinary Shares in the Company granted pursuant to the SP Angel Warrant Deed;
“Subsidiaries”	Strat Aero International Limited and Strat Aero International, Inc.;
“Takeover Code”	the UK City Code on Takeovers and Mergers, issued and administered by the Panel;
“TIDM”	tradable instrument display mnemonic;
“UK Listing Authority”	the United Kingdom Listing Authority of the Financial Conduct Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
“uncertificated” or “in uncertificated form”	Ordinary Shares held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;
“US”	the United States of America;
“US Person”	has the meaning given to it in Regulation S under the Securities Act;
“VAT”	UK Value Added Tax;
“VCT”	Venture Capital Trust scheme under the provisions of Part 6 of the Income Tax Act 2007; and
“Warrant Deeds”	the SP Angel Warrant Deed and the Beaufort Warrant Deed.

Note: any reference to any provision of any legislation includes any amendment, modification, re-enactment or extension of it. Words importing the singular include the plural and vice versa and words importing the masculine gender shall include the feminine or neuter gender.

GLOSSARY OF TECHNICAL TERMS

AOC	Air Operators Certificate;
ATO	Air Traffic Organisation;
COA	Certificate of Waiver or Authorization – an authorization issued by the Air Traffic Organization to a public operator for a specific UA activity;
ENMUR	Eastern New Mexico University – Roswell;
FAA	Federal Aviation Administration – the national aviation authority of the United States. An agency of the United States Department of Transportation, it has authority to regulate and oversee all aspects of American civil aviation;
ICAO	International Civil Aviation Organisation;
ISR	Intelligence, surveillance and reconnaissance;
Remote Pilot	A person charged by the operator with duties essential to the operation of a remotely-piloted aircraft and who manipulates the flight controls, as appropriate, during flight time;
sUSA	Small Unmanned Surveillance Aircraft – a small unmanned aircraft which is equipped to undertake any form of surveillance or data acquisition;
UAV	Unmanned Aircraft Vehicle – an aircraft which is intended to operate with no human pilot on board, as part of an Unmanned Aircraft System. Moreover a UAV: <ul style="list-style-type: none">• is capable of sustained flight by aerodynamic means;• is remotely piloted or capable of autonomous operation;• is reusable; and• is not classified as a guided weapon or similar one-shot device designed for the delivery of munitions. UAVs are also referred to as Remote Piloted Aircraft ('RPA');
UAS	Unmanned Aerial System, varying from small UAVs such as quad-copters with payloads up to 10lbs to aircraft with high altitude and long range capability. An Unmanned Aerial System comprises individual 'System Elements' consisting of the UAV and any other System Elements necessary to enable flight, such as a remote pilot station ("RPS"), communication link and launch and recovery element. There may be multiple UAVs, RPS or launch and recovery elements within a UAS. In addition to their military applications, UAS and small UAS can be deployed for industrial surveillance such as monitoring of pipelines, industrial complexes such as oil refineries and wind turbines for safety, security and maintenance data collection; UASs can also be referred to as Remote Piloted Aircraft Systems ('RPASs').

PART I

INFORMATION ON THE GROUP

1 Introduction and Summary

Strat Aero is an international aerospace services company focussed primarily on the provision of training solutions, management systems and consultancy services to the international aviation market. The Directors, who have extensive experience in multiple aspects of the aviation industry, are looking to capitalise on opportunities resulting from the forecasted strong growth in the airline industry and in particular, the predicted almost exponential growth in the emerging UAV industry over the coming decade.

The Group is organised into three divisions:

- Unmanned Aerial Systems (“UAS”) Pilot Training and Services
- Aviation Software, Products and Services
- Aviation Management and Consultancy Services

The Company has developed an operating platform from which to expand its divisional activities. The primary focus will be capitalising on UAS pilot training and services, through leveraging its expertise and fully functional training facility at Roswell, Chaves County, New Mexico, United States (“Roswell”). Training of US Air Force UAS pilots is expected to commence in Q1 2015 in partnership with Northrop Grumman and subject to the agreement of relevant contractual terms. The Group has further leveraged its position to target the provision of UAS training and services to non-military markets including law enforcement, education and corporate.

In addition to its UAS division, the Company has built a proprietary advanced aerospace management system which it develops and markets through its Aviation Software, Products and Services division. This has multiple functionality and is also expected to be marketed to non-aerospace sectors.

The third division, Aviation Management and Consultancy Services, has a primary emphasis on fixed base operators and other service providers and utilises the cumulative experience of the management team and employees. Contracts are already in place, a number of which are generating revenues including one for the provision of consultancy services for the establishment of a new low cost airline in the Middle East.

The Board believes that the Company’s competitive advantages are its cumulative knowledge and experience across the aviation industry, established relationships, contracts and MOU’s with leading international and national corporates, local and national government bodies and research and educational institutions as well as its access to a unique training facility at Roswell.

The Group is headquartered at Gatwick airport in the United Kingdom and operates from a network of offices and consultants in London, New York, Houston, Seattle, Denver, Roswell and Singapore.

The Group’s main country of operation is initially expected to be the United States of America.

2 Unmanned Aerial Vehicles (“UAVs”)

A UAV, commonly known as a “drone”, is an aircraft without a human pilot aboard. Its flight is controlled either autonomously by onboard computers or by the remote control of a pilot on the ground or in another vehicle. The typical launch and recovery method of an unmanned aircraft is by the function of an automatic system or an external operator on the ground. Historically, UAVs were simple remotely piloted aircraft, but autonomous control is increasingly being employed.

A UAS comprises individual ‘system elements’ consisting of the UAV and any other system elements necessary to enable flight, such as a remote pilot station (“RPS”), communication link, and launch and recovery element. UAS come in a variety of shapes and sizes and serve diverse purposes. They may have a wingspan as large as a Boeing 737 or smaller than a radio-controlled model airplane. Regardless of size, the responsibility for flight safety applies equally to manned and unmanned aircraft operations.

Because they are inherently different from manned aircraft, introducing UAS into the US airspace is challenging for both the FAA and aviation community. UAS must be integrated into a National Airspace System (“NAS”) that is evolving from ground-based navigation aids to a GPS-based system. Safe integration of UAS into NAS involves gaining a better understanding of operational issues, such as training requirements, operational specifications and technology considerations.

The FAA first authorised use of unmanned aircraft in US NAS in 1990. Since that time UAS have been authorised by the FAA to fly in the NAS, under very controlled conditions, performing border and port surveillance by the Department of Homeland Security, helping with scientific research and environmental monitoring by the National Aeronautics and Space Agency and the National Oceanic and Atmospheric Administration, supporting public safety by law enforcement agencies, helping state universities conduct research, and supporting various other missions for government entities.

Operations range from ground level to above 50,000 feet, depending on the specific type of aircraft. However, UAS operations are currently not authorised in Class B airspace, which exists over major urban areas and contains the highest density of manned aircraft in the NAS.

There are currently two ways to get FAA approval to operate a UAS. The first is to obtain an experimental airworthiness certificate for private sector (civil) aircraft to carry out research and development, training and flight demonstrations. This is normally called a Special Airworthiness Certificate for Experimental Category (“SAC-EC”). The second is to obtain a Certificate of Waiver or Authorization (“COA”) for public aircraft. Routine operation of UAS over densely-populated areas is prohibited.

The Directors believe that one of the barriers that restrict UAV operations is the lack of empirical data from the manufacturer’s or the military with regard to reliability, payload capabilities, component failure rates and behaviour after Loss of Signal (“LOS”).

The COA is an authorisation issued by the Air Traffic Organisation to a public operator for a specific unmanned aerial (“UA”) activity. UAS COA’s are applied for online and for a defined “box” of airspace within which authorisation to fly UAS may be granted. After a complete application is submitted, the FAA conducts a comprehensive operational and technical review. If necessary, provisions or limitations may be imposed as part of the approval to ensure the UA can operate safely with other airspace users. In most cases, the FAA will provide a formal response within 60 days from the time a completed application is submitted. In an emergency situation, where immediate UAS deployment may be required for law enforcement or emergency services, the FAA is able to expedite this process.

The current US regulations are deemed restrictive and the FAA is under increasing pressure from leading commercial organisations to open up the US NAS to UAS. The US 2012 FAA Modernization and Reform Act directs the FAA to develop a plan for integrating UAS into the US NAS and to establish a rulemaking initiative to develop regulations with regard to operating UAS aircraft in the NAS. This initiative includes the design and equipage of UAS aircraft, and training and qualifications of the pilots who operate them remotely and operator certification standards that commercial operators would have to meet in order to operate these aircraft in the NAS.

3 Company History and Background

Strat Aero was established in 2014 by Captain Graham Peck and Captain Russell Peck (who are not related) to capitalise on market opportunities resulting from the strong growth forecast in the airline industry and almost exponential growth forecast in the emerging UAV industry over the coming decade. By bringing together key components including high calibre personnel, proprietary training software, intellectual property and a UAS Pilot Training Centre at Roswell, the Group was established and is now looking for development capital and admission to AIM. The proceeds of the Admission will be used to fund growth in the business and to accelerate the implementation of the Group’s strategic plans.

The Group’s management team has close to an aggregate of 400 years of aviation management and training experience. The Group has procured additional expertise through its employees and consultants in aviation safety, occupational safety and health administration, organisational development, airline and

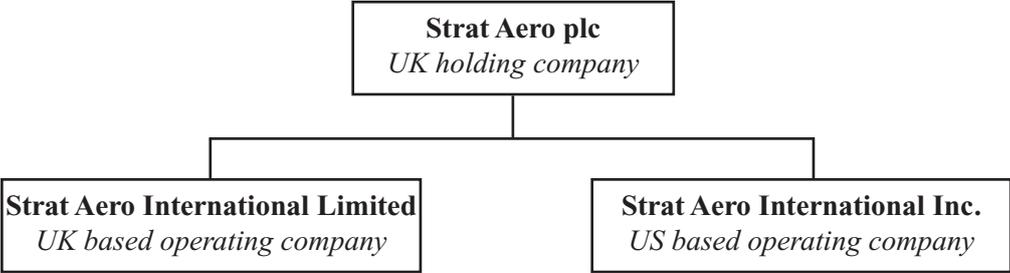
airport management, UAV operations, regulatory writers, database management and government contracts. With this expertise, Strat Aero is able to provide a broad suite of aviation solutions, from various types of training and consultancy to regulatory publishing and airline/airport management.

The Company has identified the UAS market, the intelligence, surveillance and reconnaissance (“ISR”) market and the increasing need for the commercial aviation industry to invest in new digital technology, including online and mobile computing, as areas of growth in which it is well placed to capitalise on due to the experience of its management team, existing contracts and MOU’s and its established infrastructure. Between 2015 and 2025, the UAS market is forecast to grow to more than US\$82.1 billion and create more than 70,000 new jobs in the first three years and 103,776 by 2025 (source: The AUVSI Economic Report 2013). Meanwhile, the estimated value of the global airborne ISR market is expected to have reached US\$19.23 billion by 2023 (source: Visiongain report, titled The Airborne ISR Market 2013-2023, October 2013).

To date, the Group’s primary source of revenue has come from consultancy services provided to the international aviation industry. Funding has also been provided by the Directors and other investors in order to develop the Group’s operational platform and to allow the Company to embark on its current growth plans.

4 Group Structure

The following diagram shows the current structure of the Company and its operating subsidiaries and as it will be on Admission:



The Group’s subsidiaries are wholly-owned.

5 Business Overview

Through its network of offices and consultants in London, New York, Houston, Seattle, Denver, Roswell and Singapore, the Group offers a range of products and services based on aviation training and systems consultancy. The principal products and services, which are either available now or are in varying stages of development, are as follows:

UAS Pilot Training & Services

The future of aviation is rapidly moving towards all types of unmanned aerial vehicles flying from the smallest, hummingbird-sized UAV to aerial vehicles as large as a medium size airliner. While the US is lagging behind its European counterparts with regard to regulation, the pressure for the FAA to generate rules and allow commercial UAV flights in the US is high. Europe is already seeing several companies beginning to take advantage of unmanned aerial vehicles for a variety of tasks as can be demonstrated by Google’s acquisition of Titan Aerospace, a New Mexico based UAV developer.

The Directors believe that, as the regulatory environment for the UAV industry develops, there will increasingly be a need for competent, trained UAV pilots and they have therefore positioned the Company in order to take advantage of this expected need.

UAS Pilot Training Centre, Roswell

The Directors believe that the Group is able to capitalise on the major opportunities which exist for the training of UAS remote pilots, both in the US and internationally. The Group is able to meet this need at the UAS Pilot Training Centre at Roswell, a collaboration between Strat Aero (through its US subsidiary, SAIL Inc), Artesia, the City of Roswell, MISTIC Inc (“MISTIC”), Eastern New Mexico University (“ENMUR”) and Roswell International Air Centre (formerly Walker Air Force Base) (“RIAC”).

The UAS Pilot Training Centre is a multi-faceted UAV/UAS training facility from which both classroom as well as fixed and rotary wing UAV instruction can be given. It has been designed to be Strat Aero’s national centre for all UAV/UAS training. Instruction can be provided either on site or remotely. The Roswell facility can accommodate up to 90 trainees on-site by utilising ENMUR’s existing facilities and provides specialist UAS pilot training for military personnel, law enforcement agencies, corporates and university students.

The significant features and capabilities of the training facility, as well as each partner’s role in the collaboration, are outlined below:

- *RIAC and City of Roswell* – The City of Roswell is constructing all direction special purpose runways for use by the Strat Aero Group in the conduct of fixed wing UAV takeoff and landing flight instruction at RIAC. The planned multi directional runway configuration allows flight operations to be conducted irrespective of wind direction which is expected to improve company productivity by eliminating many instances of training cancellation due to unfavourable wind conditions. The City of Roswell has received a state grant to construct the runways which are expected to be completed in Q4 2014, however, the Group is able to operate flights from unused existing taxiways on land operated by MISTIC if required in advance of the completion of the new runways.
- *MISTIC* – Security training facilities operated by MISTIC are located at the RIAC. The Strat Aero Group entered into a teaming agreement with MISTIC on 22 April 2014 (the “MISTIC Teaming Agreement”) enabling the Strat Aero Group to utilise these facilities in order to provide urban, desert and mountain UAV training in simulated and actual conditions as well as use of a tarmacked area for flight operations if required.
- *ENMUR* – The Strat Aero Group entered into a teaming agreement with ENMUR on 10 June 2014 (the “ENMUR Teaming Agreement”) pursuant to which Strat Aero’s UAV/UAS training shall be incorporated into matriculating for aviation credits. The ENMUR Teaming Agreement specifies that the Strat Aero Group will have access to classrooms for ground instruction as well all student facilities including dormitories, a cafeteria and lounge areas. Strat Aero’s personnel are also expected to provide additional instruction support to ENMUR with a Strat Aero employee currently holding the title of Adjunct Professor at ENMUR.

ENMUR has created a UAV degree program consisting of sixteen credit hours that is integrated into its aviation degree program. This program is also being made available to veterans who can utilise their government benefits and allowances to fund the education if they so choose.

Another feature that distinguishes the RIAC facility from others in the US is that the Strat Aero Group is expected to be able to conduct rotary wing training both inside or outside as a special hangar is being configured that will allow the Strat Aero Group to conduct rotary wing flight training despite inclement weather. There is also no requirement to obtain a COA for operations conducted inside a structure.

The Directors have identified the following markets for UAS pilot training:

- *Military training*
The increasing use of unmanned aircraft for modern warfare and military surveillance purposes creates a demand for more UAS pilots. On 8 June 2014, the Group signed a co-operation agreement with Northrop Grumman pursuant to which Northrop Grumman and the Group agreed to work together to share their capabilities, resource and expertise to develop and deliver training utilising the Northrop Grumman SandShark™ remotely piloted aircraft. The Group is currently negotiating the terms of a teaming agreement with Northrop Grumman which will specify the terms under

which the Group will train US Air Force pilots in the launch and recovery phases of UAS flights.

Northrop Grumman is a leading global security company providing systems, products and solutions in unmanned systems, cyber, C4ISR (command, control, communications, computers, intelligence, surveillance and reconnaissance) and logistics and modernisation to government and commercial customers worldwide. The Directors understand that Northrop Grumman has contracted with the US Air Force in respect of training using the SandShark™ training system.

Training will be based on the Northrop Grumman SandShark™ UAS training system. The SandShark™ training system is designed to reduce costs and improve overall pilot quality. The SandShark™ training system is applicable to commercial, educational and defence users, and can be used as an introduction to unmanned aviation as well as a proficiency trainer.

Training using the SandShark™ will primarily focus on the critical take-off and landing phases of flight and will not cover any form of mission control or payload delivery training which is currently conducted separately by the military in the case of the US. The main rationale for the SandShark™ training programme is to reduce incidents caused by existing operational pilots due to lack of real world hands on training, as well as training pilots to a higher level of competency.

Training on the Sandshark™ will include two primary components: initial training and recurrent training.

Initial training – It is intended that there will initially be a managed throughput of students during the initial beta phase, expected to commence by early Q1 2015 during which the training syllabus and operational procedures will be proven and refined. In addition, training will be given to existing pilots who are already flying operationally.

Recurrent training – It is intended that this training will vary from 6 months to 12 months depending on operational requirements. It is expected that re-training of existing operational pilots will be introduced following the beta phase when the training program has been proven. However, it is expected that some students from the existing pool of operational pilots may be introduced during the beta phase as a control, and to also evaluate comparative competency levels. It is expected that recurrent training will be introduced following 12 months of initial SandShark™ training by either ab initio students or existing operational pilots.

SandShark™ measures 8 feet long and 22 inches high, with a 15 foot wingspan and emulates manually flown UAVs, offering pilots a real, hands-on flying experience. Over a 12 month period, the SandShark™ provides nearly 100 times the landings necessary to maintain proficiency at a fraction of the hourly cost to train with a full-scale UAV or simulator. SandShark™ is designed to be significantly more cost-effective than training on an actual UAS that pilots would use, such as Predator or Reaper aircraft – the replacement cost of a Reaper aircraft damaged in training novice pilots is approximately \$11m. The SandShark™ system emulates the flight characteristics of the Predator or Reaper to enable pilots to be trained in operating these aircraft in a far more controlled and cost-effective environment. Northrop Grumman owns exclusive marketing and sales rights to the training system and in 2012 stated that it believed it could save the US Air Force up to \$75 million annually in training costs.

Initial estimates are that the US Air Force will be required to train an average of 750 new UAS pilots per year for an extended period of years. Northrop Grumman are the prime contractor for this training. Northrop Grumman will provide to Strat Aero three training SandShark's™, as well as the computer consoles necessary to conduct the training at no cost. Details of these aircraft are being incorporated in the COA application for the site.

While the detailed commercial terms of operations have yet to be agreed, the Group expects to charge a contract rate of US\$850 per flying hour, with a minimum of 15 student-hours expected to be required to train new pilots to proficiency. The Directors believe that recurrent students should average 6 to 7 student hours. It is intended that training will begin by early Q1 2015 with training classes of 16 students and increasing to a maximum of 32 students per month. Students are expected

to be based at their respective military bases with the Group providing the required infrastructure (including local line of sight safety pilots, for example). All training will be conducted at the UAS Pilot Training Centre, Roswell.

While an application is in progress with the FAA to secure a COA to operate UAVs at the UAS Pilot Training Centre, Roswell, this COA relates to the Group's planned commercial applications (see below). The Group is expecting to receive a decision from the FAA in respect of its application in Q1 2015. As the US Air Force pilot training programme is a military and defence based contract, government approval of an additional COA for military purposes via the FAA is expected to be more expediently secured.

In respect of the UK market, the announcement at the Farnborough Air Show in July 2014 of funds being made available for the purchase of medium-sized UAVs for the military, led the Directors to believe the opportunity for using the SandShark™ for take-off and landing training in the UK looks promising in the medium term.

- *Law Enforcement*

Law enforcement agencies in the US are being targeted at federal, state and local levels for both training and/or provision of turnkey surveillance and policing systems (including pilots) for rental. Opportunities are being driven by inherent flexibility, cost savings, safety and minimal disruption to the public compared with current helicopter based operations. Like the military, law enforcement is open to expedited FAA airspace approval, and there is therefore a readily available market with no barriers to progress. First turnkey demonstration/rental systems are already established and operational and the Group has already gained leads with several major potential clients. The Group expects to reach proof of concept phase in the near future.

The law enforcement market in the US is expected to offer significant opportunities to the Group due to the number of individual agencies and requirement for coverage. For example there are 254 individual Sheriff departments in Texas alone.

The Group's strategy is centred on utilising multi rotor UAVs capable of being carried in a police vehicle and made operational within ten minutes, to provide immediate eye in the sky to support tactical decision making. Historically, law enforcement has relied on helicopters for this function. Helicopters are expensive, disruptive, represent a greater risk to the public, and not readily available to many law enforcement agencies. Therefore the UAV represents a viable and cost effective alternative. The law enforcement market is fragmented with no apparent dominant provider. The Directors believe that Strat Aero's entry into this market is timely and capitalises on the training strengths of the Group which will be incorporated into the Group's offering.

The Group has acquired and is operating a quadcopter, the SkyRanger, and has been demonstrating its utility to law enforcement agencies in the West and Southwest of the United States. In addition, the Los Alamos National Laboratory, New Mexico, participated in a demonstration that proved technical feasibility for its requirements. Strat Aero intends to sell its equipment, training and support services nationally in the US as a part of its commercialisation plan for law enforcement and a portion of the proceeds of the Placing are expected to be used to acquire further multi rotor UAVs for this purpose. The Group expects to remain product agnostic and will review the market to determine the optimal units for utilisation given each customer's requirements. The Group may offer its sources under packaged lease agreements.

- *Commercial training*

The Group is also investing available capital in a number of projects to expand the application of UASs in the commercial sector. It expects benefits to accrue as a result of these investments, both directly as an investor and indirectly as successful projects will require UAS pilot training. For example, the Group is involved in the design and deployment of unmanned light twin engine aircraft equipped with navigation systems, long-range capability and low operating costs, as it looks to enter the international market for extended range surveillance systems. Such systems are used to provide accurate and timely information for maritime and coastguard services to counter piracy, illegal immigration and smuggling. Beta testing for this project is planned in Q1 2015.

SAIL Inc together with MISTIC has applied to the FAA for a COA to operate UAVs for commercial operations in national airspace in Roswell. The FAA has advised SAIL Inc that the application has been accepted and complete and that the Group is expecting to receive a decision from the FAA in respect of its application by Q1 2015.

- *University training*

The Group has the capability to train university students enrolled in UAS degree courses. This training will be offered through the Eastern New Mexico University - Roswell (“ENMUR”). ENMUR has entered into articulation agreements with an increasing number of US Universities offering UAS degree courses (currently approximately 60 universities) who do not have an established UAS Flight School with permanent flight training staff and importantly the relevant FAA training approvals. This training is expected to include SandShark™ training systems and a variety of multirotor UAVs. While it is not expected that students will be trained as part of dedicated degree courses until late 2015, the Group intends to attract non-affiliated students to UAV courses in fixed wing and multi-rotor aircraft following receipt of the relevant COA.

- *Infrastructure inspections*

The Directors have identified the preventative maintenance of wind turbines as a major growth opportunity for the Group.

Wind turbine failures, which can result from atmospheric factors as well as fire and mechanical failure, are costly in terms of lost income, property damage and insurance. The Group has signed a research and development agreement with the National Renewable Energy Laboratory (“NREL”), a division of the US Department of Energy, to engineer a system for the use of small unmanned vehicles (“sUAS”) to inspect and analyse wind turbine performance and safety. By using sUAS armed with HD video feed and infrared remote sensing technology, the risk of turbine fires and delamination can be mitigated, increasing the productivity and the life cycle of the device, whilst dramatically reducing the cost of critical turbine and blade inspection work.

The feasibility of related applications in the field of electricity transmission networks, pipelines, waterways, railways and the use of infrared remote-sensing technology is being investigated by the Group.

The Group is in discussions with a number of industrial entities relating to inspection services similar to those outlined above. The Directors believe that there are significant opportunities in this sector and are actively seeking future opportunities.

- *E-learning*

The Group has the capability to provide comprehensive “soft skills” courseware for training crew on non-type specific operational and safety issues.

The Group is actively progressing opportunities to provide UAS e-learning courses to universities across the US.

The Group’s experienced experts in the subject matter can also provide guidance and assistance to regulatory agencies, airlines, airports, air charter operators and others in meeting global compliance standards.

Aviation Software, Products and Services

- *Aerospace Information Manager Software (“AIMS”)*

AIMS is a proprietary advanced aerospace management system providing cloud-based, enterprise wide management solutions for a diverse range of aerospace requirements. AIMS is an all-in-one, low cost, intuitive programme designed to assist companies that manage multiple assets such as aircraft, personnel, scheduling – targeting fixed base operators, member associations and service providers.

The software can be delivered via smart phones and tablets in addition to desktops, and offers property management functionality including lease control, notification of lapse, insurance certificate update, rent due, a safety management system mandated by the FAA, specific safety training – OSHA (“Occupational Health and Safety Administration”) certification, operational task management and a learning management system.

Instead of having multiple applications used by individual departments within a company, the AIMS can be used as a single point of access for all users in all departments.

The data generated within the applications can be restricted on any level. This allows for basic user functions such as students and employees, to higher level access such as instructors, managers, and administrators, and all those in between. Due to the AIMS’s modular design, new elements can be created quickly and seamlessly combined into an already existing application, thus allowing additional functionality for the user.

AIMS is already being used by a large international aircraft cleaning company with final contractual terms near agreement.

The Group owns the IP in relation to the AIMS product and retains in-house capability to support the continued development of AIMS as required although it is not expected that AIMS will require significant customisation for further users.

It is intended that the Group will initially market AIMS to aviation service providers and fixed based operators utilising the Group’s extensive contacts in this market. AIMS is also expected to be marketed to non-aerospace sectors in due course.

Aviation Management and Consultancy Services

- *Airline and airport management*

The Group is currently undertaking a consultancy contract with Emirates Consultancy Group to set up a budget airline in Fujairah in the United Arab Emirates. The engagement commenced on 20 January 2014. Fujairah is approximately 170 kilometres from Dubai and has only one regional airline flight each day. Workers in Fujairah travel regularly to their home countries of Pakistan, Sri Lanka, Bangladesh and India. “Air Fujairah” (a working name for now) intends to provide the much needed service with a low cost carrier. Strat Aero is providing expertise for this start-up. It is currently expected that Air Fujairah will launch by early 2016. The project spend budget is US\$32 million and the Group is paid fees initially based on a fixed consultancy fee followed by a proportion of total project spend once certain milestones have been achieved. This contract is expected to provide a significant proportion of the Group’s revenue in 2015.

In addition, the Group has a contract with the Department of Civil Aviation Cyprus (“DCAC”) for the supply of flight operations inspectors to assist with the evaluation of AOC’s submitted to the regulatory authority for approval. The Group is evaluating the scope to widen its current mandate with DCAC to include the re-structuring of regulatory operations manuals in order to ensure compliance with the latest European Aviation Safety Agency regulations.

In addition, Strat Aero is currently in talks with a Mediterranean-based airline for the purpose of identifying areas of the airline operation that can be developed effectively and profitably. Opportunities for cost savings will also be investigated.

The Group expects to win further consultancy mandates in future by leveraging the expertise and contacts of its Directors and consultants.

- *Research*

The Group was invited to make a proposal to the US Army Research Laboratory for an in-depth research and development project regarding UAS operations and is in further discussions with them. The US Army Research Laboratories belong to the US Army Materiel Command and their antecedents in the technical Corps. The laboratories conduct the majority of the US Army’s basic science programs.

The provision of services proposed by the Group to the laboratories include assessments and evaluations of government and military UAS use and planned future use; establishment of a dedicated training centre including the acquisition of UAS's for which the training curriculums are to be developed; and development of training and certification curricula and reference materials for a range of identified UAS equipment.

6 Competition

The Directors believe that the level and quality of competition that the Group is likely to encounter will vary according to sector, product and service.

UAS Pilot Training and Services

Within the UAS sector, the Directors believe that competition will vary based on customer type and application. For example, at the military level, access to market is driven by relationships, credentials and corporate credibility, and by definition the barriers to entry for competition are high. Within the law enforcement sector there are many more potential customers, and although the credibility offered to Strat Aero from its military work will place the Company at the front of the line, by definition there is likely to be a larger level of competition. It is important to note however that Strat Aero is not a manufacturer of UASs, and are therefore free to utilise any suitable UAS technology as part of their offering of leased or purchased integrated solutions. The Directors believe that the manufacturers themselves, whilst actively attempting to sell their products, do not appear to be focusing on providing turnkey integrated solutions that include equipment integration, leasing, training, maintenance and support.

With respect to university training, Strat Aero is well positioned as the Roswell facility is able to provide both fixed wing and rotary wing training, either through ENMUR, or directly to other universities. The Directors believe that universities, whilst providing courses for theory and ground training, will find access to the facilities and FAA approvals to operate courses in university grounds difficult to obtain.

The agreement with NREL provides Strat Aero with a unique opportunity to access the wind farm inspection market, as far as the Directors are aware, currently the Group is the only commercial organisation to have such an agreement. Clearly however, the Directors believe that this is a vast market and it is likely that there will be a number of competitors entering the market once the scale of the opportunity becomes clear. However, it is believed that, the early stage entry and accreditation from NREL should place Strat Aero in a strong position.

Aviation Software, Products and Services

This division is based predominantly around the implementation and integration of the Company's proprietary Aerospace Information Manager Software. The Directors believe that this is currently a unique offering which is effectively a cost effective ERP (enterprise resource planning) system for the aerospace industry, and early beta tests and initial customer uptake have been very promising and seem to underpin this belief. The Directors believe that the system is in competition with other similar software management systems that are able to be readily and effectively applied to the aerospace industry. The Directors believe that currently the most easily identified competitor in this area is Intalex Technologies Inc in Toronto. The Directors believe that this offering is aimed at high end users and is significantly more expensive than the Company's software solution.

Aviation Management and Consultancy Services

This division relates specifically to contracts to provide consulting or management services within the airline or general aviation sectors. Although Strat Aero will undoubtedly on occasion enter into an open bidding process to win business, the management team have proven historically that they are capable of being successful in this environment, however the Directors believe that, for the most part contracts in this area are won mostly through relationships, reputation and credibility.

7 Key Strengths

The Directors believe the Group's key strengths to be as follows:

- Strat Aero is a multi-divisional aerospace services company leveraging the experience of the Board and management within the aviation sector;

- Existing contracts and MOU's with defence companies, government bodies, and educational institutions;
- Current revenue streams from existing contracts and consultancy agreements;
- Management team are aviation management specialists with a combination of operational and technical expertise to support delivery of targeted products and services;
- Access to training facility at Roswell New Mexico, set up to provide UAS training for military, law enforcement and civilian candidates;
- Strong sales pipeline with several potential clients;
- Group owns IP for its proprietary cloud based Aerospace Information Manager Software;
- Industry contacts including various international regulatory bodies;
- Committed to being a leading technology and consultancy services provider; and
- International footprint, well positioned to execute rapid growth across numerous jurisdictions.

8 Strategy

The Board's intended strategy is to build the presence and profitability of each of its divisions, in particular taking full advantage of the strong growth forecast in the UAS market over the coming decade, whilst also continuing to provide consultants for traditional aviation assignments within the airline industry.

Within the UAV sector, the Board intends to further leverage opportunity through the development of specific UAV integrated solutions for both commercial and law enforcement applications. The Board also intends to expand its UAS offering and operation to satisfy markets in Europe and the Middle East.

Along with its UAS and consulting services, the Group also intends to actively market its AIMS system which could be applied to a wide range of applications across the aerospace industry, and for which the Company owns the intellectual property.

9 Summary Financial Information

The tables below summarise the Company's financial performance since incorporation extracted without material adjustment from the historical financial information on the Group contained within Part III Section B and Part IV Section B and D of this document.

	<i>Strat Aero Plc</i> 16 July 2014 US\$	<i>SAIL Ltd</i> 30 June 2014 US\$	<i>SAIL Inc</i> 30 June 2014 US\$
Total revenue	—	128,243	—
EBITDA	—	72,710	(432,942)
Profit/(Loss) before tax	—	72,710	(435,176)
Net Profit/(Loss)	—	56,641	(435,176)
Earnings per share	—	56,641	(43.52)
Total assets	1,262,288	89,237	432,190
Capital and reserves	1,262,288	56,642	(433,149)

An unaudited pro forma statement of net assets is set out in Part V Section B of this document.

10 Current Trading and Prospects

Financial information and an unaudited pro forma statement of net assets for the Group are set out in Parts III to V of this document.

As detailed in Part IV, Sections B and D, EBITDA from incorporation to 30 June 2014 for SAIL Ltd and SAIL Inc was US\$72,710 and US\$(432,942) respectively. During this period, SAIL Ltd is the only entity within the Group to have received revenue, amounting to US\$128,243. This related to consultancy services provided under contract with Emirates Consultancy Group to set up a budget airline in Fujairah in the United Arab Emirates.

The Directors intend to develop the Group as set out in paragraph 8 of this Part I headed “Strategy”. The Board is confident that Admission and the net proceeds of the Placing will enable them to implement the Group’s strategy for the benefit of the Company and its shareholders.

Save as disclosed in this document, there have been no significant trends concerning the development of the business of the Group.

11 Directors and Senior Management

The Board comprises three executive Directors and one non-executive Director.

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

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 FlightSafety Boeing Training International (later known as Alteon), Boeing’s training division, as the Head of Training for the EMEA region. He was responsible for the initial structuring of the training department and obtained the necessary regulatory approvals leading to the full type rating training organisation status for six training centres covering the UK, Europe, North Africa and Singapore. Since 2010, Captain Peck has run his own aviation consultancy business and worked in the development and delivery of innovative training and educational solutions to the aviation industry. Capt. Peck is a Fellow of the Royal Aeronautical Society. Capt. Peck is based in the United Kingdom.

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

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

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

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

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

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

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

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

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

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

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

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.

Senior management

Captain Jonathan (“Jon”) Eric Adams (US Executive Vice President), aged 68, American

Captain Adams served in the US Air Force from 1969 to 1973 and then continued a 33 year military career with the New York Air National Guard flying the ski-equipped LC130 performing polar airlift in Greenland and Antarctica. He has held positions as instructor/examiner pilot, Chief of Stan/Eval, Squadron/Group /Wing Commander retiring as a Colonel with over 7000 hours in a variety of transport aircraft. He went on to volunteer as a Brigadier General commanding the NY Guard Air Division. He also enjoyed a 26 year airline career with US Airways flying the F28 and B737, serving as line Captain, Check Airman, Designated Examiner, Chief Pilot and Manager of AQP & Program Development. He retired from active flying with over 20,000 hours. He worked for 3 years in Embry Riddle’s Commercial Airline Pilot Training program as a MD90 EFD and B717 instructor pilot and designee. He worked 4 years for CAE as the Manager – Training and Standards for their ab initio Global Academy network and developing the Multi-Crew Pilot License training program. Captain Adams has extensive experience with program development for both airline and general aviation training organisations. He was instrumental in implementing flight school training standardisation, instructor training, both quality and safety management systems, pilot selections, Aviation English language training and flight operations data analysis. More notably, he has expertise in training needs analysis and pilot screening and selection protocols for entry level ab initio pilot candidates.

The Directors and senior management are supported by a group of consultants who have extensive experience of working with airline operations, management and regulatory authorities.

12 The Placing

The Placing comprises 8,125,000 Placing Shares to be issued by the Company at a price of 8 pence per Ordinary Share to raise £650,000 (before expenses). The estimated net proceeds of the Placing amount to approximately £300,000.

SP Angel and Beaufort have entered into the Placing Agreement with the Company and the Directors. Under the Placing Agreement, Beaufort has conditionally agreed, as agent of the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing is not being underwritten by SP Angel or Beaufort.

The Placing is conditional, *inter alia*, on Admission taking place on or before 17 November 2014 (or such later date as the Company, SP Angel and Beaufort may agree), but in any event not later than 30 November 2014 and on the Placing Agreement becoming unconditional and not being terminated prior to Admission.

The Placing Shares will be issued credited as fully paid and will, on Admission, rank *pari passu* in all respects with all other Ordinary Shares including the right to receive all dividends or other distributions declared, made or paid after Admission. The Placing Shares to be issued, by the Company pursuant to the Placing will represent approximately 10.6 per cent. of the Enlarged Share Capital. On Admission the Company will have a market capitalisation of approximately £6.2 million assuming 8,125,000 new Ordinary Shares are issued at the Placing Price.

SP Angel and Beaufort have each elected to participate in the Placing and agreed to subscribe for 250,000 Ordinary Shares and 262,500 Ordinary Shares respectively at the Placing Price.

The Company, the Directors, SP Angel and Beaufort expressly reserve the right to determine, at any time prior to Admission, not to proceed with the Placing.

Further details of the Placing Agreement are set out in paragraph 10.7 of Part VI of this document.

13 Reasons for the Placing and Admission and use of Proceeds

The Directors believe that Admission will assist the Group in its development by:

- providing working capital for existing and future business opportunities relating to UAS and ISR services, including joint research and development with NREL for further development of inspection technology;
- developing the UK operational base to build sales and marketing spend in the UK;
- providing support for additional business opportunities with US defence contractors;
- providing a focused marketing campaign to enhance awareness, and to position the Company to better capitalise on the broader market opportunities that should result from higher profile international contracts;
- providing further investment into UAS and UAV hardware for applications within the law enforcement and commercial sectors;
- demonstrating a strong balance sheet and enhanced corporate accountability as a public company to potential customers, partners and suppliers;
- providing a means of incentivising and retaining staff with equity incentives over publicly traded shares;
- raising the Group's corporate profile to facilitate access to a wider range of acquisition and consultancy business opportunities; and
- enabling broader access to capital should further finance be required.

Use of Proceeds

The Company intends to apply the net proceeds of the Placing in the short to medium term to:

- provide support for existing and future business opportunities relating to UAS and ISR services, including joint research and development with NREL for further development of inspection technology;
- develop the UK operational base to build sales and marketing spend in the UK;
- provide support for additional business opportunities with US defence contractors;
- run a focused marketing campaign to enhance awareness, and to position the Company to better capitalise on the broader market opportunities that should result from higher profile international contracts;
- provide further investment into UAS and UAV hardware for applications within the law enforcement and commercial sectors; and
- working capital and costs of Admission.

14 Corporate Governance and Board Practices

The Company is not required to comply with the provisions of the Governance Code or the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 published by the Quoted Companies Alliance.

However, the Board recognises the importance of sound corporate governance and intends that the Company will comply with the provisions of the Governance Code and the QCA Guidelines insofar as they are appropriate given the Company's size and stage of development.

The Board of Directors comprises three executive directors and one non-executive director. The executive directors, being Captain Graham Peck, Captain Russell Peck, and Bob Salluzzo are not considered to be independent. The Board has determined that the non-executive director, Greg Kuenzel is independent. The Board is aware that it is not compliant with the QCA Guidelines or the Governance Code in respect of having at least two independent non-executive Directors. It is the Board's intention that, as soon as practicable, an additional independent non-executive director will be appointed to the Board. The Board has established an audit committee, a remuneration committee and a nomination committee, with formally delegated duties and responsibilities and each with written terms of reference.

14.1 *Audit Committee*

On Admission, the Audit Committee will be comprised of Greg Kuenzel and Captain Graham Peck and will be chaired by Greg Kuenzel. An additional non-executive director will be appointed to the committee as soon as possible. The Audit Committee is expected to meet at least four times a year and otherwise as required. A non-executive director must be present at the meeting to form a quorate. It has responsibility for ensuring that the financial performance of the Company is properly reported on and reviewed, and its role includes monitoring the integrity of the financial statements of the Company (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors. The Audit Committee will have unrestricted access to the Company's external auditors.

14.2 *Remuneration Committee*

On Admission, the Remuneration Committee will be comprised of Greg Kuenzel and Bob Salluzzo and will be chaired by Greg Kuenzel. An additional non-executive director will be appointed to the committee as soon as possible. It is expected to meet not less than twice a year and at such other times as required. A non-executive director must be present at the meeting to form a quorate. The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Company's policy on the remuneration packages of the Company's chief executive, the chairman, the executive and non-executive directors, the Company secretary and

other senior executives. The Remuneration Committee also has responsibility for: (i) recommending to the Board a compensation policy for directors and executives and monitoring its implementation; (ii) approving and recommending to the Board and the Company's shareholders, the total individual remuneration package of the chairman, each executive and non-executive director and the chief executive officer (including bonuses, incentive payments and share options or other share awards); and (iii) approving and recommending to the Board the total individual remuneration package of the Company Secretary and all other senior executives (including bonuses, incentive payments and share options or other share awards), in each case within the terms of the Company's remuneration policy and in consultation with the chairman of the Board and/or the chief executive officer. No Director or manager may be involved in any discussions as to their own remuneration.

14.3 *Nomination Committee*

On Admission, the Nomination Committee will comprise of Captain Graham Peck and Greg Kuenzel and will be chaired by Greg Kuenzel. An additional non-executive director will be appointed to the committee as soon as possible. It is expected to meet not less than once a year and at such other times as required. A non-executive director must be present at the meeting to form a quorate. The Nomination Committee will have responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and giving full consideration to succession planning. The Nomination Committee will also have responsibility for recommending new appointments to the Board and to the other Board committees. It will be responsible for identifying suitable candidates for board membership and monitor the performance and suitability of the current Board on an on-going basis.

14.4 *Share dealing code*

The Company has adopted a share dealing code for the Board and certain employees, which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules) and the Company will take all reasonable steps to ensure compliance by the Board and any relevant "applicable employees" (as defined in the AIM Rules for Companies) with such code.

14.5 *Anti-bribery and corruption policy*

The Company has implemented an anti-bribery and corruption policy and also implemented appropriate procedures to ensure that the Board, employees and consultants comply with the UK Bribery Act 2010.

15 Dividend Policy

The Group is primarily seeking to achieve capital growth for its shareholders.

It is the Board's intention during the current phase of the Group's development to retain future distributable profits from the business, to the extent any are generated. As a holding company, the Company will be dependent on dividends paid to it by its subsidiaries.

The Board does not anticipate declaring any dividends in the foreseeable future but may recommend dividends at some future date, depending upon the generation of sustainable profits and the Group's financial position, when it becomes commercially prudent to do so.

The Board can give no assurance that it will pay any dividends in the future, nor, if a dividend is paid, what the amount of such dividend will be.

16 Share Incentive Schemes

The Company intends to grant options to subscribe for new Ordinary Shares from time to time to incentivise directors, employees and consultants at the discretion of the Directors and subject to the approval of the Remuneration Committee. Options granted to subscribe for new Ordinary Shares in this manner will not exceed 5 per cent. of the Company's issued share capital from time to time without the prior approval of the Shareholders.

The Company also intends to adopt an incentive plan under which it may award new Ordinary Shares to directors, employees and consultants pursuant to a standard share incentive scheme approved by the Remuneration Committee. It is intended that any individual awards under the scheme will be subject to vesting and performance conditions. New Ordinary Shares under this plan will not exceed 5 per cent. of the Company's issued share capital from time to time without the prior approval of the Shareholders.

17 Warrants

On Admission, there will be 459,375 warrants to subscribe for new Ordinary Shares in issue comprising the SP Angel Warrants and the Beaufort Warrants. Further details of the Warrant Deeds are set out in paragraphs 10.8 and 10.9 of Part VI of this document.

18 Lock-in and Orderly Market Arrangements

At Admission, the Locked-in Shareholders will hold or be interested in, directly and indirectly, an aggregate of 50,466,463 Ordinary Shares, representing approximately 65.6 per cent. of the Enlarged Share Capital.

The Locked-in Shareholders have agreed not to dispose of any interests in Ordinary Shares within a period of 12 months following Admission (the "Lock-In Period"), save subject to certain specific circumstances permitted by the AIM Rules for Companies (the "Lock-in Agreements").

Furthermore, each of the Locked-in Shareholders has undertaken to the Company, SP Angel and Beaufort, not to dispose of their Ordinary Shares for a period of 12 months after the end of the Lock-In Period without consulting with SP Angel and Beaufort (or such other broker as may be appointed by the Company from time to time).

In addition to the Locked-In Shareholders, a number of seed investor shareholders agreed not to dispose of any interest they hold in Ordinary Shares within a period of 6 months following Admission, other than through SP Angel or Beaufort and only in such orderly manner as the Company, SP Angel and/or Beaufort (as the case may be) require in order to maintain an orderly market in the Ordinary Shares. In aggregate, the seed investors subject to orderly market provisions hold 6,761,824 Ordinary Shares, representing approximately 8.8 per cent. of the Enlarged Share Capital.

Further details of these arrangements are set out in paragraph 7 of Part VI of this document.

19 Relationship Deed

On Admission, Captain Russell Peck will hold or be interested in 24,207,675 Ordinary Shares representing 31.5 per cent. of the Enlarged Share Capital. The Company, Captain Russell Peck, SP Angel and Beaufort entered into a relationship deed dated 7 November 2014 ("Relationship Deed"), whereby Captain Russell Peck (the "Controlling Shareholder") has undertaken not to exercise his voting rights or other powers of control to influence the Company in a way that is only in the interests of the Controlling Shareholder. The Relationship Deed will remain in force for so long as the Controlling Shareholder beneficially holds more than 25 per cent. of the equity share capital of the Company. Further detail of the Relationship Deed is set out at paragraph 10.10 of Part VI of this document.

20 Admission and Dealings

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will be effective and that dealings in the Ordinary Shares will commence at 8.00 a.m. on 17 November 2014.

21 Settlement and CREST

The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a Shareholder can continue dealing based on share certificates and notarial deeds of transfer. For private investors who do not

trade frequently, this latter course is likely to be more cost-effective. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares held in uncertificated form following Admission will take place within the CREST system.

It is expected that definitive share certificates will be despatched by first class post to those Shareholders whose entitlements are to be dealt with outside CREST at the risk of the person entitled thereto by 1 December 2014 or as soon thereafter as is practicable and that the CREST accounts in respect of those Shareholders who have requested that their entitlements are dealt with inside CREST will be credited on or about 17 November 2014.

22 Taxation

The following statements are intended only as a general guide to current United Kingdom tax legislation and HM Revenue and Customs practice in respect of stamp duty, stamp duty reserve tax, taxation of capital gains and taxation of dividends paid by the Company. They relate to persons who are resident or ordinarily resident in the United Kingdom for UK tax purposes and who are beneficial owners of Ordinary Shares. They may not relate to certain shareholders, such as dealers in securities. If a shareholder is in doubt as to his tax position or is subject to tax in any jurisdiction other than the United Kingdom, he should consult his professional adviser without delay.

Individuals who are Directors or employees of a member of the Group or related to any such person are strongly advised to seek professional advice on their personal tax position in relation to the acquisition of any Ordinary Shares pursuant to the Placing.

(a) Stamp duty and stamp duty reserve tax

Except in relation to depository receipt arrangements or clearance services where special rules apply, no stamp duty or stamp duty reserve tax will be payable in relation to the Placing. Paperless transfers of Ordinary Shares within CREST will not be liable to SDRT provided the shares are only listed on AIM or another market recognised as a Recognised Growth Market by HMRC.

The above statements are intended as a general guide to the current UK stamp duty and SDRT position. Certain categories of person are not generally liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it. Special rates apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

(b) Taxation of capital gains

Any gain realised by a United Kingdom resident holder of Ordinary Shares on a sale or other disposal (including from liquidation of the or dissolution of the Company) of their Ordinary Shares may, depending on their circumstances, be subject to United Kingdom capital gains tax (in the case of individuals) or corporation tax on chargeable gains (in the case of companies).

For United Kingdom resident or ordinarily resident individuals (subject to any exemptions, reliefs and/or allowable losses which are available to the shareholder) the rate of capital gains tax of 18 per cent. will apply to the extent the individual's total taxable income and gains (after all allowable deductions) are less than the upper limit of the basic rate income tax band (currently £31,865). For gains (in whole or part) above that limit capital gains tax of 28 per cent. will apply. Individuals who are temporarily non-United Kingdom resident may, in certain circumstances, be subject to tax in respect of gains realised whilst they are not resident in the United Kingdom. For trustees and personal representatives (subject to any exemptions, reliefs and/or allowable losses which are available to the shareholder) a single rate of capital gains tax of 28 per cent. will apply.

A United Kingdom resident company may benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in the retail price index and the resulting chargeable gain will be subject to United Kingdom corporation tax (currently the main rate is 21 per cent.).

Capital losses incurred on a disposal of shares by individual shareholders may offset other capital gains arising to them in the same tax year or may be carried forward to offset against future capital gains. Corporate investors may offset a capital loss arising on the disposal of their investment against other chargeable gains arising in the same accounting period or also carry the loss forward to offset against future chargeable gains. Indexation allowance for a company will not create or increase a loss.

(c) ***Taxation of dividends***

- (i) Under current United Kingdom tax legislation the Company is not required to withhold tax at source from dividend payments it makes.
- (ii) Individual shareholders resident for tax purposes in the United Kingdom are generally entitled to a tax credit equal to one ninth of the amount of the dividend received (or 10 per cent. of the gross dividend). Such individual shareholder's liability to United Kingdom tax is calculated on the gross dividend which, with certain other investment income, will be regarded as the top part of the individual's income and which will be subject to United Kingdom income tax at rates of tax described below. The tax credit will be available to offset the shareholders liability (if any) to income tax on the gross dividend. Individual shareholders liable to tax at the basic rate will be liable to tax on dividends received at the rate of 10 per cent. This means that the tax credit will satisfy the income tax liability of such shareholders.

Individual shareholders who are liable to income tax at the higher rate will be liable to tax on dividend income at the rate of 32.5 per cent. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend. Individual shareholders who are liable to income tax at the additional rate will be liable to tax on dividend income at the rate of 37.5 per cent. After taking into account the 10 per cent. tax credit, such shareholders will be liable to additional income tax of 30.55 per cent. of the net dividend.

With limited exceptions (relating to shares held in individual savings accounts or personal equity plans to 5 April 2004) individual shareholders who are resident in the United Kingdom cannot claim repayment of the tax credit.

- (iii) A corporate shareholder resident for tax purposes in the United Kingdom will not normally be liable to corporation tax on any dividend received.
- (iv) Tax exempt pension funds cannot reclaim tax credits attaching to dividend payment on the United Kingdom equities.
- (v) Although individual shareholders who are resident for tax purposes in countries other than the United Kingdom but who are Commonwealth citizens, nationals of states which are parts of the European Economic Area, residents of the Isle of Man or the Channel Islands and certain other types of person are entitled to a tax credit as if they were resident for tax purposes in the United Kingdom which they may set off against their total United Kingdom tax liability, such shareholders will generally not be able to claim repayment of the tax credit (unless permitted to do so by a double tax treaty).

Other shareholders who are resident for tax purposes in countries other than the United Kingdom are not generally entitled to a tax credit. Such shareholders may be liable to foreign tax on the dividend received and should consult their own tax advisors concerning their tax liabilities in their country of residence.

(d) ***VCT legislation***

The Company has received advanced assurance from HMRC that the Company should be a qualifying company for the purposes of the VCT legislation. HMRC has provisionally assured the Company that the Placing Shares will be eligible shares for the purposes of section 285 (3) of the Income Tax Act 2007 and that the Ordinary Shares held by VCTs will be "qualifying holdings" for the purposes of Chapter 4, Part 6, Income Tax Act 2007.

The advance assurance obtained relates only to the qualifying status of the Company and its shares and does not guarantee that any particular VCT will qualify for relief in respect of an acquisition of Placing Shares. The conditions for relief are complex and depend not only upon the qualifying status of the Company but upon certain factors and characteristics of the VCT concerned. VCTs who believe they may qualify for VCT relief should consult their own tax advisers regarding this.

The Company cannot guarantee or undertake to conduct its business following Admission, in a way to ensure that the Company will continue to meet the requirements of Chapter 4, Part 6, Income Tax Act 2007. The tax legislation in respect of VCTs is found in Part 6 of the Income Tax Act 2007 and sections 151A and 151B of the Taxation of Capital Gains Act 1992.

Neither the Company nor its advisers give any warranties or undertakings that VCT relief will be available or that, if given, such relief will not be withdrawn. Investors considering making a qualifying VCT investment are recommended to seek their own professional advice in order that they may fully understand how the relief legislation may apply in their individual circumstances. Investors are also referred to the Risk Factors set out in Part II of this document.

(e) ***EIS legislation***

The Company has also received advanced assurance from HMRC that the Company will be a “qualifying company” and the Placing Shares will be eligible shares for the purposes of the EIS.

Prospective investors who may be eligible for EIS relief are strongly recommended to consult their own professional advisers particularly on the conditions which must be satisfied to obtain such relief, the nature of the tax advantages which may be obtained, and the circumstances in which relief may be forfeited.

The Company cannot guarantee or undertake to conduct its business following the Admission, in a way to ensure that the Company will continue to meet the requirements of Part 5, Income Tax Act 2007. Neither the Company nor its advisers give any warranties or undertakings that the EIS relief will be available or that, if given, such relief will not be withdrawn. **The above is a summary of certain aspects of current law and practice in the UK. Any person who is in any doubt as to his tax position or who may be subject to tax in any other jurisdiction should consult his professional adviser.**

23 Takeover Code

The Takeover Code applies to quoted public companies and, in addition, unquoted public companies whose central management and control remain in the UK. Accordingly, the Takeover Code applies to the Company.

Under Rule 9 of the Takeover Code, if an acquisition of Ordinary Shares or interests therein were to increase the aggregate holding of the acquirer and its concert parties to an interest (as defined in the Takeover Code) in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months.

This requirement would also be triggered by any acquisition of Ordinary Shares or interests therein by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person’s percentage of the total voting rights in the Company.

Further information on the Takeover Code is set out in paragraph 5 of Part VI of this document.

24 Further Information

You should read the whole of this document which provides additional information on the Company and the Placing and not rely on summaries or individual parts only. Your attention is drawn, in particular, to the Risk Factors set out in Part II and the Additional Information set out in Part VI of this document.

PART II

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risks set out below in addition to all of the other information set out in this document before investing in the Ordinary Shares. The investment offered in this document may not be suitable for all of its recipients. Potential investors are accordingly advised to consult a professional adviser authorised under FSMA, who specialises in advising on the acquisition of shares and other securities, before making any investment decision. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her.

The Board believes the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all of those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Board, or which the Board currently deems immaterial, may also have an adverse effect on the Group and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.

If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his or her investment.

Before making any final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities in the UK or another appropriate financial adviser in the jurisdiction in which such investor is located who specialises in advising on the acquisition of shares and other security.

1 Risks Relating to the Business and Operations of the Group

1.1 *Early stage of operations*

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

In particular, the Group's future growth and prospects will depend on its ability to develop products and services for applications which have sufficient commercial appeal, to manage growth and to continue to develop operational, financial and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to develop operational, financial and management information and quality control systems in line with the Group's growth could have a material adverse effect on its business, financial condition and results of operations.

There can be no certainty that the Group will achieve increased or sustained revenues, profitability or positive cash flow from its operating activities within the timeframe expected by the Board or at all. The development of the Group's revenues is difficult to predict and there is no guarantee that it will generate any material revenues in the foreseeable future. The Group has a limited operating history upon which its performance and prospects can be evaluated.

Following Admission, there is no guarantee that the Group will continue to win contracts or that management estimates of future contract sales or consultancy revenues will be realised and a failure to realise such estimates would have a material adverse effect on the growth of the Group's business and its financial position.

1.2 *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 in particular contracts with Northrop Grumman and ECG. The loss, or failure to finalise where relevant, of any one of these customers would have a material adverse impact on the revenues, profitability and overall financial position of the Company in the event the Company was not able to replace them with additional or alternative customers.

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

If Strat Aero is unable to maintain strong relationships with a core group of customers, its financial conditions and results of operations may be adversely affected. The loss of any of these or similar customers would reduce the availability of repeat business on which Strat Aero will depend on for its future business.

There can be no assurance that further contracts will be won from the Group's existing customers, or that new contracts will be won from new customers. Any failure to win repeat business, or any significant change in the terms of the contracts pursuant to which Strat Aero undertakes projects, could have a material adverse effect on Strat Aero's financial condition and results of operations.

1.3 *Northrop Grumman Teaming Agreement*

The teaming agreement with Northrop Grumman that enables the Group to conduct its business utilising the SandShark™ training systems and train US Air Force pilots is still in draft stages and has not yet been agreed by the parties. The Directors are not aware of any reason why the necessary agreement will not complete; however, no assurance can be given that the Group will have access to the necessary systems, resources and revenues without the appropriate formal agreement with Northrop Grumman. The value of the Group should the agreement not complete may be substantially lower than if the anticipated agreement is concluded.

1.4 *Emirates Consultancy Group Consultancy Contract*

The consultancy contract with ECG in respect of the establishment of "Air Fujairah" may be terminated by either party upon thirty days notice without liability. In the event of termination, there is no mechanism for the Group to recover any proportion of fees in respect of services carried out. However, as phase 2 fees will be invoice monthly, the Group considers the risk to be manageable. The agreement is also silent as to the governing jurisdiction. In the event of a dispute, the agreement may be determined to be governed by the laws of the UAE or a judgement by the courts of England and Wales in respect of the agreement may be unenforceable. Under Article 235 of Federal Law No. 11 of 1992 (UAE), foreign judgments may be enforced in the UAE if (among other things) the UAE courts do not have jurisdiction in the proceedings. However, it is important to note that the Dubai Court of Cassation has previously refused to uphold a foreign court judgment (and a foreign arbitration award – albeit before the UAE's accession to the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention)) where it considered that the UAE courts would have had jurisdiction in the matter – because the case involved UAE nationals. In actions against UAE parties or foreign parties with a domicile or place of residence in the UAE, the laws may allow the UAE court (in its discretion) to re-hear the substance of the matter which is the subject of the foreign court judgment.

1.5 ***Governmental and defence***

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

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

1.6 ***Controlling Shareholder***

As at the date of Admission, Captain Russell Peck, owns approximately 31.5 per cent. of the Enlarged Share Capital. This means that Captain Russell Peck has the power to exercise significant influence over all matters requiring shareholder approval, including the election and removal of directors, amendments to the Articles, approval of dividends and share buy-backs, compromises and schemes of arrangement under the Act. This could have the effect of preventing the Company from entering into transactions that could be beneficial to it or its other Shareholders. Any significant changes in Captain Russell Peck's shareholding through sale or other disposition, or significant acquisitions by others, of the Ordinary Shares in the public market or by way of private transactions, could result in changes in business focus or practices that may affect the profitability of the Group's business. This risk is mitigated to an extent by way of the Relationship Deed described in paragraph 10.10 of Part VI of this document.

1.7 ***Competition***

Other companies have strong capabilities in system management. Some of these businesses are very well resourced and could seek to become competitors, particularly as the market grows.

The Group may face significant competition and negative commentary from organisations which have greater capital resources than it and/or which have a product offering competitive to that of the Group, to the detriment of the Group. There is no assurance that the Group will be able to compete successfully in the marketplaces in which it seeks to operate.

1.8 ***Management of growth***

The ability of the Group to implement its strategy requires effective planning and management control systems. The Group's growth plans may place a significant strain on its management and operational, financial and personnel resource. Therefore, the Group's future growth and prospects will depend on its ability to manage this growth.

1.9 ***Brand***

Third parties may take actions that could impair the value of the "Strat Aero" brand or there may be other circumstances beyond the Group's control which have the effect of reducing the value of, or tarnishing the reputation of, the "Strat Aero" brand. The Group is aware that third parties, from time to time, use "Strat Aero" or variants of that term in their domain names without its approval and that the "Strat Aero" brand may be harmed if users and customers associate these domains with the Group. The Group's rights in the "Strat Aero" brand may be damaged if users and customers associate such third parties with the Group.

1.10 ***Dependence on key executives and personnel and the ability to attract and retain appropriately qualified personnel***

The Group's future success is substantially dependent on the continued services and performance of its executive Directors and senior management and its ability to attract and retain suitably skilled and experienced personnel. The Company cannot give assurances that the executive Directors and

members of the senior management team will continue to remain within the Group. Finding and hiring any such replacements could be costly and might require the Company to grant significant equity awards or other incentive compensation, which could adversely impact its financial results.

1.11 ***Privacy, health and safety and environmental***

The installation and operation of products incorporating the Group's technology will be subject to various privacy, health and safety and environmental requirements in the markets for such products. Such requirements govern, among other matters, air emissions and air navigation orders. Many such laws and regulations are becoming increasingly stringent (and may impose strict liability) and the cost of compliance with these requirements can be expected to increase over time. Although the Board believes that the products incorporating the Group's technology comply with applicable regulations, any failure to comply with such laws and regulations could result in the Group incurring costs and/or liabilities, including as a result of regulatory enforcement, personal injury, property damage and claims and litigation resulting from such events, which could adversely affect the Group's operating results and financial condition.

The Group cannot predict the impact of new or changed privacy, health and safety and environmental laws or regulations or other concerns or changes in the ways that such laws or regulations are administered, interpreted or enforced. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. To the extent that any of the requirements impose substantial costs or constrain the Group's ability to expand or change its processes, the Group's business, prospects, operating results and financial condition may suffer as a result.

1.12 ***Certificate of Waiver or Authorization ("COA") for public aircraft in the US***

The Federal Aviation Administration ("FAA") is responsible for rulemaking for UASs in the US. At the present time, the FAA only allows unmanned aircraft to fly in the National Airspace System ("NAS") under very controlled conditions. Operations are normally not allowed in major urban areas.

There are currently two ways to get FAA approval to operate a UAS. The first is to obtain an experimental airworthiness certificate for private sector (civil) aircraft to carry out research and development, training and flight demonstrations. This is normally called a Special Airworthiness Certificate for Experimental Category ("SAC-EC"). The second is to obtain a Certificate of Waiver or Authorization ("COA") for public aircraft. Routine operation of UAS over densely-populated areas is prohibited.

Presently there are several COAs in the US, some more active than others. There are also several SAC-ECs approved which are used mainly for research and development aircraft, flight and sales demonstrations and crew training.

One of the barriers that restrict UAV operations is the lack of empirical data from the manufacturer's or the military with regard to reliability, payload capabilities, component failure rates and behaviour after Loss of Signal ("LOS"). The FAA is working with civilian operators to collect technical and operational data that will help refine the UAS airworthiness certification process.

SAIL Inc together with MISTIC have applied to the FAA for a COA to operate UAVs in US airspace in Roswell. SAIL Inc has been advised by the FAA that the application has been accepted and complete and that the Group is expecting to receive a decision from the FAA in respect of its application by Q1 2015. The Directors are not aware of any reason why the application will not be successful however, no assurance can be given that the application will be successful and in the event that the application is unsuccessful, the Group will be unable to undertake much of the planned commercial operations that are to be conducted in NAS. The value of the Group without the COA will be substantially lower than if the COA is granted.

1.13 ***Insurance***

There can be no certainty that the Group's insurance cover is adequate to protect against every eventuality. The occurrence of an event for which the Group did not have adequate insurance cover could have a material adverse effect on the business, operating results and financial condition.

1.14 ***Product liability***

If products incorporating the Group's technology do not perform as required, there is a risk of litigation and reputational damage, as well as product liability and indemnity risks.

1.15 ***Disaster recovery***

The Group depends on the performance, reliability and availability of its equipment and information technology systems. Any damage to, or failure of, its equipment and/or systems could result in disruptions to the Group's operations. The Group's disaster recovery plans may not adequately address every potential event and its insurance policies may not cover any loss in full or in part (including losses resulting from business interruptions) or damage that it suffers fully or at all, which could have a material adverse effect on the Group's business, financial position or prospects.

1.16 ***Anticipated expenditure***

There is a risk that the amount that the Group anticipates will be needed to fund its growth will be insufficient, that the anticipated timing of such investment may prove incorrect or that the Group may be unable to raise the amounts required (if at all). Costs may be greater than planned, or timings may vary from those targeted, which could have a material adverse effect on the implementation of the Group's strategy and its business, operating results and financial condition.

The net proceeds of the Placing are expected to be sufficient to implement the Board's strategy in the short to medium term. However, if the Group fails to generate sufficient cash through its commercial operations, it may need to raise additional capital in the future, whether from equity or debt sources, to fund expansion, development and/or the ongoing operating costs of the Group. If the Group is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its planned development.

1.17 ***Counterparty risk***

There is a risk that parties with whom the Group trades or has other business relationships (including partners, customers, suppliers and other parties) may become insolvent. This may be as a result of general economic conditions or factors specific to that company. In the event that a party with whom the Group trades becomes insolvent, this could have an adverse impact on the revenues and profitability of the Group.

1.18 ***Corruption***

Corruption is perceived as a problem in certain of the jurisdictions in which the Group or its commercial partners operate. Corrupt practices may have an adverse impact on the Group's operations in these jurisdictions. Corruption may also affect the ability of the Group to enforce legal rights. The Company is also subject to the Bribery Act 2010 and in complying with its obligations under that Act, it may be put at a commercial disadvantage as compared to non-UK competitors operating in the same overseas markets.

1.19 ***Currency and foreign exchange***

A portion of the Group's business will be carried out in the future in currencies other than Sterling. To the extent that there are fluctuations in exchange rates, this may have an impact on the figures consolidated in the Group's accounts, which could have a material impact on the Group's financial position or result of operations, as shown in the Group's accounts going forward. The Group currently reports in US\$.

The Group may engage in foreign currency hedging transactions to mitigate potential foreign currency exposure. The Board cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on the business, operating results or financial condition of the Group.

1.20 *Geographical risk*

As the Group operates globally, conducting its business in a number of regions such as North America, Europe, the Middle East and Asia-Pacific, the Group assumes certain risks associated with business with a broad geographical reach including political changes, economic downturns, Government regulations and policies and international taxes or tariffs.

1.21 *Acquisition risk*

The Group may be subject to referral of the Committee on Foreign Investments of United States (“CFIUS”) if it was proposing to complete a takeover of a US incorporated company. The President of the United States of America has the power under Section 721 of the Defence Production Act of 1950 to suspend, prohibit, or seek divestiture of a merger, acquisition, or takeover if it adversely affects national security.

2 Risks Relating to the Group’s Technology

2.1 *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.

Unauthorised use of intellectual property or independent development of technology the Group regards substantial elements of its business, software tools, applications, databases and underlying technology as proprietary. Despite precautionary measures, third parties may copy or otherwise obtain and use the Group’s proprietary information without authorisation or may develop similar technology independently. In addition, competitors may be able to design around the Group’s technology or develop competing technologies functionally substantially similar to those of the Group without any infringement of the Group’s proprietary rights. Any legal action that the Group may bring to protect its proprietary information could be unsuccessful and expensive and would divert management’s attention from other business concerns.

It is possible that certain purported intellectual property rights on which the Group relies may not prove to be enforceable, whether because they infringe third party rights or otherwise. Although the Group does not consider that it misuses the intellectual property of any third party (and no third party has alleged any such misuse), if any third party were to allege that the Group infringes intellectual property owned by that third party, clarifying and (if appropriate) defending the Group’s position could be costly and divert management’s resources and attention from other business concerns. It could also require the Group to cease using the intellectual property in question (which might cause interruptions to the business and increase costs), or to enter into a licence of that intellectual property (which might be available only on commercially onerous terms) or to pay damages to the third party.

There can be no assurance that others have not developed or will not develop similar products, duplicate any of the Group’s products or design. No assurance can be given that others will not independently develop or otherwise acquire substantially equivalent techniques or otherwise gain access to the Company’s unpatented proprietary technology or disclose such technology or that the Company can ultimately protect meaningful rights to such unpatented technology.

2.2 *Third party intellectual property*

Although the Board believes that the Group’s current products, products in development and processes do not infringe the intellectual property rights of any third parties, it is impossible to be aware of all third party intellectual property. No assurance can be given that third parties will not

in the future claim rights in or ownership of the proprietary rights from time to time held by the Group. Substantial costs (both financially and in management time) may be incurred if the Group is required to defend its intellectual property.

2.3 *Registration of Copyright in the United States*

In the US, copyright in works exists when the work is created but a registration is required in order to be able to seek statutory damages and rebut a counterclaim of innocent infringement and to sue for infringement. The registration should be sought within 3 months of first publication of the work or before any infringement begins. To date, the Company has not made any applications to register copyright in the United States and accordingly it may be unable to claim against third parties for infringement of its rights relating to its proprietary software. The Company intends to make the necessary applications as soon as practicable.

2.4 *Research and development*

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

2.5 *Competition and competing technology*

There is a risk that technological advances in competing technology and/or the lower cost of such technology may impede the commercial exploitation of the Group's technology. This would have a significant adverse effect on the Group's business.

The Company face potential substantial competition from a wide variety of firms, including large, multinational vehicle, defence and aerospace firms that could harm its ability to win business and increase the price pressure on its products. The Company's potential competitors have substantially larger financial resources and could compete more effectively than Strat Aero.

2.6 *Continued product development*

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

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

If the Group is unable to ensure that its customers have a high quality experience with the Group's products and services, then they may become dissatisfied and move to competitors' products and services. In addition, if the Group is unable to predict customer preferences or industry changes, or if the Group is unable to modify its products and services on a timely basis, the Group may lose customers.

The Group's future success will depend on its ability to adapt to changing technologies, to adapt its products and services to evolving industry standards and to improve the performance and reliability of the Group's services. Failure to adapt to such changes would harm the Group's business.

The Company must continually develop and refine its products in order to maintain (or increase) its market position and this may require sizable investments by the Company, particularly if there are significant changes in technology in the future. The development of new or enhanced products is a complex process and delays may be experienced due to difficulties encountered in the various

development and implementation processes, which could prevent or delay the introduction of new or enhanced products.

2.7 *Information technology security*

With an increasingly technological influence in aerospace businesses, the Group's technology may be subjected to information technology security threats. These threats may include unlawful attempts to gain access to the Company's proprietary or classified information and the potential for business disruptions associated with informational technology failures.

Users of the Group's products rely on the integrity of those solutions and the confidentiality of the underlying technologies remaining intact. In the event that a third party were able to determine, reverse engineer and/or manufacture the Group's covert features, the Group's ability to generate revenue could be adversely affected.

3 *Risks Relating to the Commercialisation of the Group's Technology*

3.1 *Acceptance of the Group's products*

The success of the Group will depend on the market's acceptance of, and attribution of value to, its core technology and the benefits of incorporating the same into various applications. There can be no guarantee that this acceptance will be forthcoming, that an acceptable value will be placed upon such technology or that the Group's core technology will succeed as an alternative to other applications.

The development of a market for products incorporating the Group's technology is affected by many factors, some of which are beyond its control, including the emergence of newer, more successful technologies and products. Notwithstanding the technical merits of a product which incorporates the Group's technology, there can be no guarantee that the targeted customer base for the product will purchase or continue to purchase the product. If market acceptance of products incorporating the Group's applications fails to develop or develops more slowly than anticipated, the Group may be unable to recover losses incurred in the development of its products and technology and may never achieve profitability.

3.2 *Commercialisation risk*

The Group has, and will continue to enter into, arrangements with third parties in respect of the development, production and commercialisation of products based on its technology. The Group's negotiating position in agreeing terms of either joint development, distribution, service or supply arrangements may be affected by its size and limited cash resources relative to potential development partners with substantial cash resources and established levels of commercial success. An inability to enter into or renew such arrangements on favourable terms, if at all, or disagreements between the Group and any of its potential partners could lead to delays in the Group's commercialisation strategy and this may have a significant adverse effect on the Group's business, financial condition and results. As noted in Part I of this document, the Group is seeking to enter into a number of contracts for the supply and distribution of its products and services. A limited number of contracts have been entered into as at the date of this document and there is no guarantee as to when and on what terms the Group will be able to enter into additional contracts.

The loss of, or changes affecting, the Group's relationships with commercialisation partners could adversely affect the Group's results or operations and the Group may have limited input on the product strategies adopted by any of its partners. Furthermore, there is a risk that such partners may reprioritise within their product portfolio resulting in the Group achieving sales below that which the Board anticipates. In any such arrangement, the Group will be dependent on such partners for its revenue and the sales strategies and product positioning of the Group's partners may have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group may be dependent on a relatively small number of commercial partners. If any of these companies were to cease to work with the Group, it could potentially have a material impact on the trading, financial condition and prospects of the Group.

4 General Risks

4.1 *Investment risks*

An investment in the Ordinary Shares is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment, or other investors who have been professionally advised with regard to the investment, and who have sufficient resources to be able to bear any losses that may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as complementary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio. Investors should not consider investing in the Ordinary Shares unless they already have a diversified investment portfolio.

Prospective investors should be aware that the value of an investment in the Company may go down as well as up and investors may therefore not recover their original investment.

In addition, the price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. These factors could include the performance of the Company's business, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory or taxation changes, general economic and political conditions and interest and inflation rate variations. The value of the Ordinary Shares may therefore fluctuate and not reflect their underlying asset value.

4.2 *Economic conditions and current economic weakness*

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Group's products. A more prolonged economic downturn may lead to an overall decline in the volume of the Group's sales, restricting the Group's ability to generate a profit.

In addition, although signs of economic recovery have been perceptible in certain countries, the sustainability of a global economic upturn is not yet assured. If economic conditions remain uncertain this might have an adverse impact on the Group's operations and business results.

4.3 *Force majeure*

The Group's operations now or in the future may be adversely affected by risks outside the control of the Group including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

4.4 *Taxation*

The taxation implications of investing in the Company are dealt with in Part I of this document. The tax rules and their interpretation relating to an investment in the Company may change during the life of the Company. The levels of, and relief from, taxation may change. Any tax reliefs referred to in this document are those currently available and their application depends on the individual circumstances of investors. The information given in this document relates only to UK investors and investors in other jurisdictions must seek their own tax advice.

Any change in the Company's tax status, or the tax applicable to holding Ordinary Shares, or in taxation legislation or its interpretation, could affect the value of the assets held by the Company or the Group, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax return of Shareholders. Statements in this document concerning the taxation of the Company, the Group and/or its investors are based upon current law and practice which are subject to change.

4.5 *EIS and VCT relief*

The Group has received advanced assurance from HMRC that the Company's business qualifies for EIS relief and is a qualifying business for VCT relief. The actual availability of qualifying status for VCT Scheme purposes will be contingent upon certain conditions being met by both the Group

and the relevant investors. Although qualifying investors should obtain tax relief on their investments under EIS relief or VCT relief, neither the Company nor the Board can provide any warranty or guarantee in this regard. Investors must take their own advice and rely on it.

Neither the Company nor the Board give any warranties or undertakings that EIS relief or VCT relief, if granted, will not be withdrawn. Investors must take their own advice and rely on it. If the Company carries on activities beyond those disclosed to HMRC, then Shareholders may cease to qualify for the tax benefits.

Should the law regarding the EIS or VCTs change then any relief or qualifying status previously obtained may be lost. Any person who is in any doubt as to their taxation position should consult their professional taxation adviser in order that they may fully understand how the rules apply in their individual circumstances.

4.6 ***Legal risks***

Legal risks include the inability to enforce security arrangements, an absence of adequate protection for intellectual property rights, an inability to enforce foreign judgments relating to contracts entered into by the Group that are governed by laws outside England and Wales, absence of a choice of law, and an inability to refer disputes to arbitration or to have a choice with regard to arbitration rules, venue and language. Mitigation measures for these risks may be limited.

4.7 ***Securities traded on AIM***

AIM securities are not admitted to the Official List. An investment in shares traded on AIM may carry a higher risk than an investment in shares listed on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Ordinary Shares cannot be guaranteed.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached rather than for larger or more established companies. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

4.8 ***The trading price of the Ordinary Shares is likely to be volatile, and investors might not be able to sell their shares at or above the Placing Price***

An active or liquid market in the Ordinary Shares may not develop upon completion of the Placing or, if it does develop, it may not be sustainable. The Placing Price may not be indicative of the market price of the Ordinary Shares after Admission and therefore it may vary from the market price of the Ordinary Shares after Admission. As a result of these and other factors, investors may be unable to sell their Ordinary Shares at or above the Placing Price.

The following factors, in addition to other risks described in this document, may have a significant effect on the market price of the Ordinary Shares:

- (a) variations in operating results;
- (b) actual or anticipated changes in the estimates of operating results or changes in stock market analyst recommendations regarding the Ordinary Shares, other comparable companies or the industry generally;
- (c) macro-economic conditions in the countries in which the Group may do business;
- (d) foreign currency exchange fluctuations and the denominations in which the Group may conduct business and hold cash reserves;
- (e) market conditions in the industry, the industries of customers and the economy as a whole;
- (f) actual or expected changes in the Group's growth rates or competitors' growth rates;

- (g) changes in the market valuation of similar companies;
- (h) trading volume of the Ordinary Shares;
- (i) sales of the Ordinary Shares by the Board or other Shareholders; and
- (j) adoption or modification of regulations, policies, procedures or programmes applicable to the Group's business.

In addition, if the stock market in general experiences loss of investor confidence, the trading price of the Ordinary Shares could decline for reasons unrelated to the Group's business, financial condition or operating results. The trading price of the Ordinary Shares might also decline in reaction to events that affect other companies in the industry, even if such events do not directly affect the Group. Each of these factors, among others, could harm the value of the Ordinary Shares.

4.9 ***If securities or industry analysts do not publish research or publish unfavourable or inaccurate research about the business, the Company's share price and trading volume of the Ordinary Shares could decline***

The trading market for the Ordinary Shares will depend, in part, on the research and reports that securities or industry analysts publish about the Group or its business. The Company may be unable to sustain coverage by well-regarded securities and industry analysts. If either none or only a limited number of securities or industry analysts maintain coverage of the Company, or if these securities or industry analysts are not widely respected within the general investment community, the trading price for the Ordinary Shares could be negatively impacted.

In the event that the Group obtains securities or industry analyst coverage, if one or more of the analysts who cover the Company downgrade the Ordinary Shares or publish inaccurate or unfavourable research about the Group's business, the share price would be likely to decline. If one or more of these analysts cease coverage of the Company or fail to publish reports regularly, demand for the Ordinary Shares could decrease, which might cause the share price and trading volume to decline.

4.10 ***Dilution of Shareholders' interests as a result of additional equity fundraising***

The Group may need to raise additional funds in the future to finance, amongst other things, working capital, expansion of the business, new developments relating to existing operations or acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pre-emptive basis to existing shareholders, the percentage ownership of the existing shareholders may be reduced. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

4.11 ***Dividends***

There is no current intention to pay dividends in the short to medium term. There can be no assurance as to the level of future dividends, if any. The declaration, payment and amount of any future dividends of the Company is subject to the discretion of the Board, and will depend upon, among other things, the Company's earnings, financial position, cash requirements and availability of profits, as well as the provisions of relevant laws or generally accepted accounting principles.

4.12 ***The use of net proceeds of the Placing is subject to change***

The use of net proceeds from the Placing set out in Part I of this document is based on management's current expectations. There are no restrictions on the Company's use of net proceeds. Investors will not have the opportunity to evaluate the economic, financial or other information on which the Company bases its decisions on how to use the net proceeds. The failure of the Company's management to apply these funds effectively could harm investor confidence and cause the price of the Ordinary Shares to decline.

PART III

SECTION A

FINANCIAL INFORMATION ON STRAT AERO PLC

Accountant's Report on the Special Purpose Historic Financial Information of Strat Aero Plc



The Directors
Strat Aero Plc
The Beehive
City Place
Gatwick Airport
West Sussex
RH6 0PA

The Partners
SP Angel Corporate Finance LLP
Prince Frederick House
35–39 Maddox Street
London
W1S 2PP

7 November 2014

Dear Sirs

Strat Aero Plc (the “Company” or “Strat Aero”)

Introduction

We report on the special purpose historic financial information set out in Part III Section B (the “Financial Information”) relating to Strat Aero Plc. This information has been prepared for inclusion in the AIM admission document dated 7 November 2014 (the “Admission Document”) relating to the proposed admission to AIM of Strat Aero Plc and on the basis of the accounting policies set out in Note 2. This report is given for the purpose of complying with paragraph (a) of Schedule Two of the AIM Rules for Companies and for no other purpose.

Responsibility

The Directors of the Company are responsible for preparing the Financial Information on the basis of preparation set out in the notes to the Financial Information and in accordance with International Financial Reporting Standards (“IFRSs”).

It is our responsibility to form an opinion as to whether the Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to Strat Aero consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information give, for the purpose of the Admission Document dated 7 November 2014, a true and fair view of the state of affairs of Strat Aero as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the applicable financial reporting framework.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

PKF Littlejohn LLP
Reporting Accountants

PART III

SECTION B

SPECIAL PURPOSE FINANCIAL INFORMATION ON STRAT AERO PLC

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position of the Company as at 16 July 2014 is stated below:

	<i>Note</i>	<i>US\$</i>
Non-Current Assets		
Intangible assets	6	257,130
Investments in subsidiaries	7	857,099
		<u>1,114,229</u>
Current Assets		
Trade and other receivables	8	148,059
		<u>148,059</u>
Total Assets		<u><u>1,262,288</u></u>
Equity Attributable to Owners of the Parent		
Share capital	9	926,392
Share premium	9	335,896
Retained earnings		<u>—</u>
Total Equity		<u><u>1,262,288</u></u>

STATEMENT OF COMPREHENSIVE INCOME

The Statement of Comprehensive Income of the Company for the period from incorporation on 1 July 2014 to 16 July 2014 is stated below:

Total comprehensive income attributable to equity owner		<u><u>—</u></u>
Earnings per share		
Basic and diluted (US\$ per share)	3	<u><u>—</u></u>

STATEMENT OF CHANGES IN EQUITY

	<i>Share capital US\$</i>	<i>Share premium US\$</i>	<i>Retained earnings US\$</i>	<i>Total equity US\$</i>
At incorporation	<u>1</u>	<u>—</u>	<u>—</u>	<u>1</u>
Results for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Issue of ordinary shares	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Shares based payments	<u>926,391</u>	<u>335,896</u>	<u>—</u>	<u>1,262,287</u>
Total contributions by Owners of the Company	<u>926,391</u>	<u>335,896</u>	<u>—</u>	<u>1,262,287</u>
As 16 July 2014	<u><u>926,392</u></u>	<u><u>335,896</u></u>	<u><u>—</u></u>	<u><u>1,262,288</u></u>

The share capital comprises the ordinary issued share capital of the Company.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows of the Company for the period from incorporation on 1 July 2014 to 16 July 2014 is as follows:

<i>Financing activities</i>	<i>US\$</i>
Proceeds from issue of share capital	<u>—</u>
Net cash from financing activities	<u>—</u>
Net increase in cash and cash equivalents	<u>—</u>
Cash and cash equivalents at end of period	<u><u>—</u></u>

NOTES TO THE FINANCIAL INFORMATION

1 General information

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

Strat Aero Plc (“the Company”) is a public limited company incorporated and domiciled in Great Britain and registered in England and Wales, with company number 09109008. The address of its registered office is The Beehive, City Place, Gatwick Airport, West Sussex, RH6 0PA. The nature of the Company’s operations and its principal activities are to act as the holding company of a group engaged in the development, marketing and selling of training programmes and software in the aviation industry.

2 Summary of significant accounting policies

The principal Accounting Policies applied in the preparation of this Financial Information are set out below.

2.1 *Basis of preparation of financial information*

The Financial Information of the Company has been prepared on a historic basis as varied by the use of fair value in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European and the parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company has adopted IFRSs for this Financial Information and does not represent financial statements in accordance with the Companies Act 2006.

The Financial Information is presented in United States of America dollars (“US\$”) rounded to the nearest dollar.

No comparative figures have been presented as the Financial Information covers the period from incorporation to 16 July 2014.

2.2 *New and amended standards*

(a) *New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 July 2014:*

There have been no new standards and amendments to standards and interpretations are effective for the annual period beginning after 1 July 2014 and have been applied in preparing this financial information.

(b) *New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 July 2014, but not currently relevant to the Company:*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing this financial information. None of these are expected to have a significant effect on the financial information of the Company.

Amendment to IAS 19, ‘Defined Benefit Plans: Employee Contributions’, provides guidance added to IAS 19 Employee Benefits on accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan.

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

IAS 28, ‘Investments in Associates and Joint Ventures’, replaces the current version of IAS 28, ‘Investments in Associates’, as a result of the issue of IFRS 11. The revised standard includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 1.

Amendment to IAS 32, 'Offsetting Financial Assets and Financial Liabilities', add application guidance to address inconsistencies identified in applying some of the criteria when offsetting financial assets and financial liabilities. This includes clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

Amendment to IAS 36, 'Recoverable Amount Disclosures for Non-Financial Assets', to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

Amendment to IAS 39, 'Novation of Derivatives and Continuation of Hedge Accounting', make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

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

IFRS 11, 'Joint Arrangements' provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangement; joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in entities, including joint arrangements, associates, special purpose vehicles and other off Statement of Financial Position vehicles.

Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities' clarify the IASB's intention when first issuing the transition guidance in IFRS 10, provide similar relief in IFRS 11 and IFRS 12 from the presentation or adjustment of comparative information for periods prior to the immediately preceding period, and provide additional transition relief by eliminating the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied.

Amendments to IFRS 10, 'Consolidated Financial Statements', IFRS 12, 'Disclosure of Interests in Other Entities' and IAS 27, 'Separate Financial Statements', provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement.

IFRIC 21, 'Levies', provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognised progressively if the obligating event occurs over a period of time;
- If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

'Annual Improvements 2010 – 2012 Cycle' sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:

- IFRS 2 'Share-based Payment': amendment to the definition of a vesting condition.
- IFRS 3 'Business Combinations': amendments to the accounting for contingent consideration in a business combination.
- IFRS 8 'Operating Segments': amendments to the aggregation of operating segments and the reconciliation of the total of the reportable segments' assets to the entity's assets.
- IFRS 13 'Fair Value Measurement': amendments to short-term receivables and payables.
- IAS 16 'Property, Plant and Equipment': amendments to the revaluation method in relation to the proportionate restatement of accumulated depreciation.
- IAS 24 'Related Party Disclosures': amendments regarding key management personnel.
- IAS 38 'Intangible Assets': amendments to the revaluation method in relation to the proportionate restatement of accumulated depreciation.

'Annual Improvements 2011 – 2013 Cycle' sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:

- IFRS 1 'First-time Adoption of International Financial Reporting Standards': amendment to the meaning of 'effective IFRSs'.
- IFRS 3 'Business Combinations': amendments to the scope exceptions for joint ventures.
- IFRS 13 'Fair Value Measurement': amendments to the scope of paragraph 52 (portfolio exception).
- IAS 40 'Investment Property': amendments clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

(c) *New and amended standards and interpretations issued but not yet effective for the financial year beginning 1 July 2014 and not early adopted*

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial information are disclosed below. The Company intend to adopt these standards, if applicable, when they become effective.

Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets': Clarification of Acceptable Methods of Depreciation and Amortisation. The amendments clarify that a depreciation method which is based on revenue that is generated by an activity which includes the use of an asset is not appropriate for property, plant and equipment. The amendments also introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances. The Company has yet to assess the amendments full impact but intends to adopt no later than accounting period beginning on or after 1 January 2016, subject to EU endorsement.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow

characteristics for the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2014, subject to endorsement by the EU. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

Amendments to IFRS 11 'Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations' require an acquirer of an interest in a joint operation in which the activity constitutes a business as defined in IFRS 3. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation. The Company has yet to assess the full impact of this amendment and intends to adopt no later than accounting period beginning on or after 1 January 2016, subject to EU endorsement.

IFRS 14 'Regulatory Deferral Accounts' permits an entity which is a first time adopter of International Financial Reporting Standards to continue to account, with some limited changes for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. The Company is yet to assess the full impact of this amendment and intends to adopt no later than the accounting period beginning on or after 1 January 2016, subject to EU endorsement.

IFRS 15 'Revenue from Contracts with Customers' provides a single, principles based five-step model to be applied to all contracts with customers. The standard includes guidance on the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. IFRS 15 also introduces new disclosures about revenue. The Company is yet to assess the full impact of this amendment and intends to adopt no later than the accounting period beginning on or after 1 January 2017, subject to EU endorsement.

2.3 *Foreign currencies*

(a) *Functional and presentation currency*

Items included in the Financial Information of the Company are measured in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Financial Information, the results and financial position are expressed in US Dollars, which is the functional and presentational currency of the Company.

(b) *Transactions and balances*

In preparing the Financial Information, foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

2.4 *Intangible assets*

Intellectual property rights

Intellectual property rights are shown at historic costs. 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.

Costs associated with maintaining intellectual property rights are recognised as an expense as incurred. 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.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate proportion of relevant overheads.

No amortisation has been charged during the period on incorporation to 16 July 2014 as the product remains in its development phase.

The Company's core platform 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 Company reviews the carrying amounts of its intangible assets to determine whether the carrying amount is recoverable. Where the asset does not generate cash flows that are independent from other assets, the Company 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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the Income Statement immediately.

2.5 *Impairment of non-financial assets*

Assets that have an indefinite useful life, for example, intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Tangible assets 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 *Financial assets*

Classification

The Company classifies its financial assets in the following category: 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 Company's loans and receivables comprise other receivables in the Statement of Financial Position.

Recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred, and the Company has transferred substantially all of the risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets

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

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

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal repayments;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio; or
- for assets classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost.

2.7 *Share capital*

Equity comprises the following:

- "Share capital" represents shares issued at par value;
- "Share premium" represents the premium paid on shares issued above par value; and
- "Retained earnings" represents retained profits or losses.

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

2.8 *Share-based payments*

The Company 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 income statement or charged to equity depending on the nature of the services provided or instruments issued.

3 *Financial risk management*

3.1 *Financial risk factors*

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

Credit risk

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

Liquidity risk

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

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to enable the Company to continue its activities and bring its products to market. The Company has secured amounts from related parties at 16 July 2014 and 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.

4 Critical accounting estimates and judgements

The preparation of the Financial Information in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce this Financial Information.

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.

Significant items subject to such estimates and assumptions include, but are not limited to:

Impairment of intangible assets

The Company tests annually for impairment in its intangible assets, which have a carrying value as at 16 July 2014 of US\$257,130. There has been no impairment during the current financial period.

5 Segment information

Management has determined the operating segments based on reports reviewed by the Board of Directors that are used to make strategic decisions. During the period under review the Company had no revenue or expenses incurred, and as such the activities remained dormant, excluding equity transactions.

There is therefore no further disclosure to be noted in respect of segmental information.

6 Intangible assets

	<i>Intellectual Property Rights US\$</i>
Cost	
At incorporation	—
Additions	257,130
At 16 July 2014	<u>257,130</u>
Accumulated amortisation	
At incorporation and 16 July 2014	<u>—</u>
Net book value	
At incorporation	—
At 16 July 2014	<u>257,130</u>

7 Investments in subsidiaries

	<i>2014 US\$</i>
Shares in group undertakings:	
At incorporation	—
Additions	857,099
At 16 July 2014	<u>857,099</u>

Investments in group undertakings are recorded at cost, which is the fair value of consideration paid.

The Company's investments at the Statement of Financial Position date include the share capital of companies as follows:

<i>Name of Company</i>	<i>Place of establishment</i>	<i>Parent company</i>	<i>Registered capital</i>	<i>Share capital held</i>	<i>Principal activities</i>
Strat Aero International, Inc.	United States of America	Strat Aero Plc	Ordinary share capital US\$50	100%	Provider of aviation software, products and services
Strat Aero International Limited	England & Wales	Strat Aero Plc	Ordinary share capital £1	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

8 Trade and other receivables

	<i>2014 US\$</i>
Amounts due from group undertakings	148,059
	<u>148,059</u>

Amounts due from group undertakings is categorised as "loans and receivables" and are due within one year.

The carrying amounts of the Company's trade and other receivables are denominated in US Dollars.

9 Share capital and premium

	<i>Number of Shares</i>	<i>Ordinary Shares £</i>	<i>Ordinary Shares US\$</i>	<i>Share Premium £</i>	<i>Share Premium US\$</i>	<i>Total US\$</i>
At incorporation	1	—	—	—	—	—
Shares issued:						
16 July 2014	49,999,999	500,000	857,099	—	—	857,099
16 July 2014	2,500,000	25,000	42,855	125,000	214,275	257,130
16 July 2014	1,542,285	15,423	26,438	70,949	121,621	148,059
At 16 July 2014	<u>54,042,285</u>	<u>540,423</u>	<u>926,392</u>	<u>195,949</u>	<u>335,896</u>	<u>1,262,288</u>

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

On 16 July 2014 the Company issued 49,999,999 ordinary shares of £0.01 each at par value, as consideration for business acquisitions during the period.

On the same day, the Company acquired intangible assets for a total consideration of US\$257,130 (equivalent to £150,000). The Company issued 2,500,000 ordinary shares of £0.01 each in settlement of outstanding liabilities owed to the vendor.

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

10 Earnings per share

The calculation for earnings per share (basic and diluted) for the relevant period is based on the profit after income tax attributable to equity holder for the period from incorporation on 1 July 2014 to 16 July 2014 and is as follows:

	<i>2014 US\$</i>
Profit/(loss) attributable to equity holders	—
Weighted average number of shares	<u>3,377,644</u>
Earnings/(loss) per share	<u>—</u>

11 Related party transactions

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

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

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

On 16 July 2014, Russell Peck, was issued 1,542,285 ordinary shares of £0.01 each, fully paid at £0.06 per share to satisfy the advanced sum of US\$148,059 to finance the initial operations of the Group. As at 16 July 2014, no further amounts were due to Russell Peck.

As at 16 July 2014, the Company was owed US\$148,059 from Strat Aero International, Inc. a wholly owned subsidiary, in respect of the advance received from Russell Peck above.

12 Events after the reporting date

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

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

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

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

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

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

13 Ultimate controlling party

At 16 July 2014, Russell Peck was the majority controlling shareholder.

14 Nature of financial information

The financial information presented above does not constitute statutory accounts for the period under review.

15 Auditors

The Company has yet to pass the end of its first financial period and has therefore not presented any audited financial statements to its members.

PART IV

SECTION A

FINANCIAL INFORMATION ON STRAT AERO INTERNATIONAL LIMITED

Accountant's Report on the Special Purpose Historic Financial Information of
Strat Aero International Limited



The Directors
Strat Aero Plc
The Beehive
City Place
Gatwick Airport
West Sussex
RH6 0PA

The Partners
SP Angel Corporate Finance LLP
Prince Frederick House
35-39 Maddox Street
London
W1S 2PP

7 November 2014

Dear Sirs

Strat Aero International Limited (the “Company”)

Introduction

We report on the special purpose historic financial information set out in Part IV Section B (the “Financial Information”) relating to Strat Aero International Limited. This information has been prepared for inclusion in the AIM admission document dated 7 November 2014 (the “Admission Document”) relating to the proposed admission to AIM of Strat Aero Plc and on the basis of the accounting policies set out in Note 2. This report is given for the purpose of complying with paragraph (a) of Schedule Two of the AIM Rules for Companies and for no other purpose.

Responsibility

The Directors of the Company are responsible for preparing the Financial Information on the basis of preparation set out in the notes to the Financial Information and in accordance with International Financial Reporting Standards (“IFRSs”).

It is our responsibility to form an opinion as to whether the Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the Company, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information give, for the purpose of the Admission Document dated 7 November 2014, a true and fair view of the state of affairs of the Company as at the date stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the applicable financial reporting framework.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

PKF Littlejohn LLP
Reporting Accountants

PART IV

SECTION B

SPECIAL PURPOSE FINANCIAL INFORMATION ON STRAT AERO INTERNATIONAL LIMITED

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position of the Company as at 30 June 2014 is stated below:

	<i>Note</i>	<i>US\$</i>
Current Assets		
Other receivables	6	84,710
Cash and cash equivalents	7	4,527
		<hr/>
		89,237
		<hr/>
Total Assets		<u>89,237</u>
Equity Attributable to Owners of the Parent		
Share capital	8	1
Retained earnings	9	56,641
		<hr/>
Total Equity		56,642
		<hr/>
Current Liabilities		
Trade and other payables	10	32,595
		<hr/>
Total Liabilities		32,595
		<hr/>
Total Equity and Liabilities		<u>89,237</u>

STATEMENT OF COMPREHENSIVE INCOME

The Statement of Comprehensive Income of the Company for the period from incorporation to 30 June 2014 is stated below:

	<i>Note</i>	<i>US\$</i>
Continuing Operations		
Revenue		128,243
Cost of sales	11	(43,533)
		<hr/>
Gross Profit		84,710
Administrative expenses	11	(12,000)
		<hr/>
Operating Profit		72,710
Finance costs		—
		<hr/>
Profit before Income Tax		72,710
Income tax expense	13	(16,069)
		<hr/>
Profit for the Year from Continuing Operations		56,641
		<hr/>
Total Comprehensive Income for the Year attributable to Equity Shareholders		<u>56,641</u>
Earnings per share		
Basic and diluted (US\$ per share)	14	56,641

STATEMENT OF CHANGES IN EQUITY

	<i>Share capital US\$</i>	<i>Share premium US\$</i>	<i>Retained earnings US\$</i>	<i>Total equity US\$</i>
At incorporation	1	—	—	1
Results for the period	—	—	56,641	56,641
Total comprehensive income for the period	—	—	56,641	56,641
Total contributions by Owners of the Company	—	—	—	—
As 16 July 2014	1	—	56,641	56,641

The share capital comprises the ordinary issued share capital of the Company.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows of the Company for the period from incorporation to 30 June 2014 is stated below:

	<i>Note</i>	<i>US\$</i>
Cash Flows from Operating Activities		
Profit before income tax		72,710
Changes in working capital:		
– Other receivables		(84,710)
– Trade and other payables		16,526
Cash generated from/(used in) operating activities		4,526
Interest paid		—
Net cash generated from/(used in) operating activities		4,526
Cash Flows from Financing Activities		
Proceeds from share issue		1
Net cash generated from financing activities		1
Net Increase in Cash and Cash Equivalents		4,527
Cash and cash equivalents at beginning of year		—
Cash and Cash Equivalents at End of Year	6	4,527

NOTES TO THE FINANCIAL INFORMATION

1 General information

Strat Aero International Limited is a limited company incorporated on 12 December 2013 and domiciled in Great Britain and registered in England and Wales with company number 08813081. The address of its registered office is The Beehive, City Place, Gatwick Airport, West Sussex, RH6 0PA. The nature of the Company's operations and its principal activities are aviation management and consultancy services.

2 Summary of significant accounting policies

The principal Accounting Policies applied in the preparation of this Financial Information are set out below.

2.1 *Basis of preparation of financial information*

The Financial Information of the Company has been prepared on a historic basis as varied by the use of fair value in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European and the parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company has adopted IFRSs for this Financial Information and does not represent financial statements in accordance with the Companies Act 2006.

The Financial Information is presented in United States of America dollars ("US\$") rounded to the nearest dollar.

No comparative figures have been presented as the Financial Information covers the period from incorporation to 30 June 2014.

2.2 *New and amended standards*

(a) *New and amended standards and interpretations*

A number of new standards and amendments to standards and interpretations are effective for the annual period beginning after 12 December 2013 and have been applied in preparing these financial statements.

IFRS 13, 'Fair value measurement' became effective during the period. The standard requires specific disclosures on fair values, some of which replace existing disclosure requirements in IFRS 7, "Financial instruments: Disclosures". The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate to their book values due to the short maturity periods of these financial instruments.

(b) *New and amended standards, and interpretations mandatory for the first time for the financial year beginning 12 December 2013, but not currently relevant to the Company:*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 12 December 2013, and have not been applied in preparing this financial information. None of these is expected to have a significant effect on the financial information of the Company.

Amendment to IAS 19, 'Defined Benefit Plans: Employee Contributions', provides guidance added to IAS 19 Employee Benefits on accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan.

IFRS 7, 'Financial Instruments: Disclosures' was amended for asset and liability offsetting. This amendment requires disclosure of information that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Amendment to IFRS 1, 'First-time Adoption of International Financial Reporting Standards' on government loans, addresses how first-time adopters would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first time adopters granted to existing preparers of IFRS Financial Statements when the requirement was incorporated into IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' in 2008.

IFRIC 20, 'Stripping Costs in the Production Phase of a Surface Mine', clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

'Annual Improvements 2009 – 2011 Cycle' sets out amendments to various IFRSs as follows:

- An amendment to IFRS 1, 'First-time Adoption' clarifies whether an entity may apply IFRS 1:
 - (a) if the entity meets the criteria for applying IFRS 1 and has applied IFRS 1 in a previous reporting period; or
 - (b) if the entity meets the criteria for applying IFRS 1 and has applied IFRSs in a previous reporting period when IFRS 1 did not exist.
- The amendment to IFRS 1 also addresses the transitional provisions for borrowing costs relating to qualifying assets for which the commencement date for capitalization was before the date of transition to IFRSs.
- An amendment to IAS 1, 'Presentation of Financial Statements' clarifies the requirements for providing comparative information when an entity provides Financial Statements beyond the minimum comparative information requirements.
- An amendment to IAS 16, 'Property, Plant and Equipment' addresses a perceived inconsistency in the classification requirements for servicing equipment.
- An amendment to IAS 32, 'Financial Instruments: Presentation' addresses perceived inconsistencies between IAS 12, 'Income Taxes' and IAS 32 with regard to recognizing the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.
- An amendment to IAS 34, 'Interim Financial Reporting' clarifies the requirements on segment information for total assets and liabilities for each reportable segment.

(c) *New and amended standards and interpretations issued but not yet effective for the financial year beginning 12 December 2013 and not early adopted*

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial information are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets': Clarification of Acceptable Methods of Depreciation and Amortisation. The amendments clarify that a depreciation method which is based on revenue that is generated by an activity which includes the use of an asset is not appropriate for property, plant and equipment. The amendments also introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances. The Company has yet to assess the amendments full impact but intends to adopt no later than accounting period beginning on or after 1 January 2016, subject to EU endorsement.

IAS 27, 'Separate Financial Statements', replaces the current version of IAS 27, 'Consolidated and Separate Financial Statements' as a result of the issue of IFRS 10. The revised standard includes the requirements relating to separate financial statements. The Company has yet to assess the impact of the amendment but intends to adopt no later than accounting periods beginning on or after 1 January 2014.

IAS 28, 'Investments in Associates and Joint Ventures', replaces the current version of IAS 28, 'Investments in Associates', as a result of the issue of IFRS 11. The revised standard includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 1. The Company has yet to assess the impact of the amendment but intends to adopt no later than accounting periods beginning on or after 1 January 2014.

Amendment to IAS 19, 'Defined Benefit Plans: Employee Contributions', provides guidance added to IAS 19 Employee Benefits on accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. The Directors do not believe that this will have an impact on the Company however will be adopted no later than accounting period beginning on or after 1 July 2014, subject to endorsement by the EU.

Amendment to IAS 32, 'Offsetting Financial Assets and Financial Liabilities', add application guidance to address inconsistencies identified in applying some of the criteria when offsetting financial assets and financial liabilities. This includes clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The Company has yet to assess the full impact of the amendment to IAS 32 and intends to adopt the amended standard no later than the accounting period beginning on or after 1 January 2014.

Amendment to IAS 36, 'Recoverable Amount Disclosures for Non-Financial Assets', to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The Company has yet to assess full impact of the revised standard and intends to adopt the amendment to IAS 36 no later than the accounting period beginning on or after 1 January 2014.

Amendment to IAS 39, 'Novation of Derivatives and Continuation of Hedge Accounting', make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. The Company has yet to assess full impact and intends to adopt the amendment to IAS 39 no later than the accounting period beginning on or after 1 January 2014.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics for the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company has yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2014, subject to endorsement by the EU. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company has yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014.

IFRS 11, 'Joint Arrangements' provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangement; joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Company has yet to assess IFRS 11's full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2014.

Amendments to IFRS 11 'Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations' require an acquirer of an interest in a joint operation in which the activity constitutes a business as defined in IFRS 3. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation. The Company has yet to assess the full impact of this amendment and intends to adopt no later than accounting period beginning on or after 1 January 2016, subject to EU endorsement.

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in entities, including joint arrangements, associates, special purpose vehicles and other off Statement of Financial Position vehicles. The Company has yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2014.

Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities' clarify the IASB's intention when first issuing the transition guidance in IFRS 10, provide similar relief in IFRS 11 and IFRS 12 from the presentation or adjustment of comparative information for periods prior to the immediately preceding period, and provide additional transition relief by eliminating the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied. The Company plans to adopt these amendments no later than the annual period beginning on or after 1 January 2014.

Amendments to IFRS 10, 'Consolidated Financial Statements', IFRS 12, 'Disclosure of Interests in Other Entities' and IAS 27, 'Separate Financial Statements', provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement. The Company has yet to assess the full impact of these amendments and intends to adopt the amended standards no later than the accounting period beginning on or after 1 January 2014.

IFRS 14 'Regulatory Deferral Accounts' permits an entity which is a first time adopter of International Financial Reporting Standards to continue to account, with some limited changes for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. The Company has yet to assess the full impact of this amendment and intends to adopt no later than the accounting period beginning on or after 1 January 2016, subject to EU endorsement.

IFRS 15 ‘Revenue from Contracts with Customers’ provides a single, principles based five-step model to be applied to all contracts with customers. The standard includes guidance on the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. IFRS 15 also introduces new disclosures about revenue. The Company has yet to assess the full impact of this amendment and intends to adopt no later than the accounting period beginning on or after 1 January 2017, subject to EU endorsement.

IFRIC 21, ‘Levies’, provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognised progressively if the obligating event occurs over a period of time;
- If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

The Company has yet to assess the full impact and intends to adopt the standard no later than the accounting period beginning on or after 1 January 2014.

‘Annual Improvements 2010 – 2012 Cycle’ sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:

- IFRS 2 ‘Share-based Payment’: amendment to the definition of a vesting condition.
- IFRS 3 ‘Business Combinations’: amendments to the accounting for contingent consideration in a business combination.
- IFRS 8 ‘Operating Segments’: amendments to the aggregation of operating segments and the reconciliation of the total of the reportable segments’ assets to the entity’s assets.
- IFRS 13 ‘Fair Value Measurement’: amendments to short-term receivables and payables.
- IAS 16 ‘Property, Plant and Equipment’: amendments to the revaluation method in relation to the proportionate restatement of accumulated depreciation.
- IAS 24 ‘Related Party Disclosures’: amendments regarding key management personnel.
- IAS 38 ‘Intangible Assets’: amendments to the revaluation method in relation to the proportionate restatement of accumulated depreciation.

The Company intends to adopt the amended standards no later than the annual period beginning on or after 1 July 2014, subject to EU endorsement.

‘Annual Improvements 2011 – 2013 Cycle’ sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:

- IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’: amendment to the meaning of ‘effective IFRSs’.
- IFRS 3 ‘Business Combinations’: amendments to the scope exceptions for joint ventures.
- IFRS 13 ‘Fair Value Measurement’: amendments to the scope of paragraph 52 (portfolio exception).
- IAS 40 ‘Investment Property’: amendments clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The Company intends to adopt the amended standards no later than the annual period beginning on or after 1 July 2014, subject to EU endorsement.

2.3 *Foreign currencies*

(a) *Functional and presentation currency*

Items included in the Financial Information of the Company are measured in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Financial Information, the results and financial position are expressed in US Dollars, which is the functional and presentational currency of the Company.

(b) *Transactions and balances*

In preparing the Financial Information, foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

2.4 *Revenue*

The Company generates its revenue from providing consultancy services performed on a ‘time and materials’ basis. Revenues are recognised on these services 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.

2.5 *Financial assets*

Classification

The Company classifies its financial assets in the following category: 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 Company’s loans and receivables comprise Other Receivables and Cash and Cash Equivalents in the Statement of Financial Position.

Recognition and measurement

Financial assets are initially recognised at fair value. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred, and the Company has transferred substantially all of the risks and rewards of ownership.

Impairment of financial assets

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

2.6 *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.

2.7 *Share capital*

Equity comprises the following:

- “Share capital” represents shares issued at par value;
- “Share premium” represents the premium paid on shares issued above par value; and
- “Retained earnings” represents retained profits or losses.

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

2.8 *Trade 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.

2.9 *Current and Deferred Income Tax*

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 **Financial risk management**

3.1 *Financial risk factors*

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

Currency risk

The Company operates internationally, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Pound Sterling and the Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

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 Group's 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.

3.2 *Capital risk management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to enable the Group to continue its activities and bring its products to market. The Parent Company has secured amounts from related parties at 16 July 2014 and 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.

4 **Critical accounting estimates and judgements**

The preparation of the Financial Information in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce this Financial Information.

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.

5 **Segment information**

Management has determined the operating segments based on reports reviewed by the Board of Directors that are used to make strategic decisions. During the period under review, the Company has only operated in one industry, being the international aviation industry.

There is therefore no further disclosure to be noted in respect of segmental information.

6 **Other receivables**

	<i>US\$</i> <i>2014</i>
Amounts due from related parties (Note 16)	84,710
	<u>84,710</u>

7 **Cash and cash equivalents**

	<i>US\$</i> <i>2014</i>
Cash at bank and in hand	4,527
	<u>4,527</u>

Cash and cash equivalents include the above for the purposes of the Statement of Cash Flows and are financial assets categorised as loans and receivables.

8 **Share capital and premium**

	<i>Number of Shares</i>	<i>Ordinary Shares £</i>	<i>Ordinary Shares US\$</i>	<i>Share Premium £</i>	<i>Share Premium US\$</i>	<i>Total US\$</i>
At incorporation	1	1	1	—	—	1
At 30 June 2014	1	1	1	—	—	1

9 **Retained earnings**

	<i>US\$</i> <i>2014</i>
At incorporation	—
Profit for the year	56,641
	<u>56,641</u>

10 Trade and other payables

	<i>US\$</i> <i>2014</i>
Amounts due to group undertakings (Note 16)	4,526
Current income tax liabilities	16,069
Accruals	12,000
	<hr/>
	32,595
	<hr/> <hr/>

Trade and other payables are classified as financial liabilities measured at amortised cost.

11 Expenses by nature

	<i>US\$</i> <i>2014</i>
Staff costs (Note 12)	12,000
Consultancy	23,510
Travel and subsistence	20,023
	<hr/>
	55,533
	<hr/> <hr/>

12 Employees

Employee benefit expense

	<i>US\$</i> <i>2014</i>
Salaries and wages	12,000
	<hr/>
	12,000
	<hr/> <hr/>

Average number of people employed:

	<i>No.</i>
Directors	1
	<hr/>
	1
	<hr/> <hr/>

13 Income tax expense

	<i>US\$</i> <i>2014</i>
Current tax on loss for the period	16,069
	<hr/>
	16,069
	<hr/> <hr/>

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

Profit before Tax	72,710
	<hr/>
Tax calculated at domestic tax rates applicable to profits (22.1%)	16,069
	<hr/>
Total Income tax expense	16,069
	<hr/> <hr/>

14 Earnings per share

The calculation for earnings per share (basic and diluted) for the relevant period is based on the profit after income tax attributable to equity holder for the period from incorporation to 30 June 2014 and is as follows:

	<i>US\$</i> <i>2014</i>
Profit attributable to equity holders	56,641
Weighted average number of shares	1
Profit per share	<u>56,641</u>

15 Commitments

Capital commitments

As at 30 June 2014, the Company has no capital commitments.

16 Related parties

The immediate parent undertaking of the Company is Strat Aero Plc, a company incorporated in the United Kingdom, England and Wales.

As at 16 July 2014 and 30 June 2014, Russell Peck was the majority controlling shareholder of the Group. The remaining shares are widely held.

Amounts due to and from related parties

	<i>US\$</i> <i>2014</i>
Amounts due from related parties (Note 6)	
– Russell Peck	<u>84,710</u>
Amounts due to group undertakings (Note 9)	
– Strat Aero International, Inc.	<u>(4,526)</u>

The receivables and payables from group undertakings arise mainly from working capital transfers from one group entity to another.

17 Key management compensation

Key management includes Directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee services is as follows:

	<i>US\$</i> <i>2014</i>
Directors	
Aggregate emoluments	<u>12,000</u>
Total	<u>12,000</u>

18 Events after the reporting date

There have been no events after the reporting date to report.

19 Nature of financial information

The financial information presented above does not constitute statutory accounts for the period under review.

20 Auditors

The Company has yet to pass the end of its first financial period and has therefore not presented any audited financial statements to its members.

PART IV

SECTION C

FINANCIAL INFORMATION ON STRAT AERO INTERNATIONAL, INC.

Accountant's Report on the Special Purpose Historic Financial Information of Strat Aero International, Inc.



The Directors
Strat Aero Plc
The Beehive
City Place
Gatwick Airport
West Sussex
RH6 0PA

The Partners
SP Angel Corporate Finance LLP
Prince Frederick House
35-39 Maddox Street
London
W1S 2PP

7 November 2014

Dear Sirs

Strat Aero International, Inc. (the “Company”)

Introduction

We report on the special purpose historic financial information set out in Part IV Section D (the “Financial Information”) relating to Strat Aero International, Inc.. This information has been prepared for inclusion in the AIM admission document dated 7 November 2014 (the “Admission Document”) relating to the proposed admission to AIM of Strat Aero Plc and on the basis of the accounting policies set out in Note 2. This report is given for the purpose of complying with paragraph (a) of Schedule Two of the AIM Rules for Companies and for no other purpose.

Responsibility

The Directors of the Company are responsible for preparing the Financial Information on the basis of preparation set out in the notes to the Financial Information and in accordance with International Financial Reporting Standards (“IFRSs”).

It is our responsibility to form an opinion as to whether the Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the Company, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information give, for the purpose of the Admission Document dated 7 November 2014, a true and fair view of the state of affairs of the Company as at the date stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the applicable financial reporting framework.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

PKF Littlejohn LLP
Reporting Accountants

PART IV

SECTION D

SPECIAL PURPOSE FINANCIAL INFORMATION ON STRAT AERO INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position of the Company as at 30 June 2014 is stated below:

	<i>Note</i>	<i>US\$</i>
Plant and equipment	6	178,779
Intangible assets	7	211,626
Investment in subsidiaries	8	—
		<u>390,405</u>
Current Assets		
Trade and other receivables	9	4,526
Cash and cash equivalents	10	37,259
		<u>41,785</u>
Total Assets		<u>432,190</u>
Equity Attributable to Owners of the Parent		
Share capital	11	50
Share premium	11	1,977
Retained earnings	12	(435,176)
Total Equity		<u>(433,149)</u>
Current Liabilities		
Trade and other payables	13	865,339
Total Liabilities		<u>865,339</u>
Total Equity and Liabilities		<u>432,190</u>

STATEMENT OF COMPREHENSIVE INCOME

The Statement of Comprehensive Income of the Company for the period from incorporation to 30 June 2014 is stated below:

	<i>Note</i>	<i>US\$</i>
Continuing Operations		
Revenue		—
Cost of sales		—
		<u>—</u>
Gross Profit		
Administrative expenses	14	(432,942)
		<u>(432,942)</u>
Operating Loss		
Finance costs	16	(2,234)
		<u>(435,176)</u>
Loss before Income Tax		
Income tax expense	17	—
		<u>—</u>
Loss for the Year from Continuing Operations		
		<u>(435,176)</u>
Total Comprehensive Income for the Year attributable to Equity Shareholders		
		<u>(435,176)</u>
Earnings per share		
Basic and diluted (US\$ per share)	18	<u>(43.52)</u>

STATEMENT OF CHANGES IN EQUITY

	<i>Share capital US\$</i>	<i>Share premium US\$</i>	<i>Retained earnings US\$</i>	<i>Total equity US\$</i>
At incorporation	<u>50</u>	<u>1,977</u>	<u>—</u>	<u>2,027</u>
Results for the period	<u>—</u>	<u>—</u>	<u>(435,176)</u>	<u>(435,176)</u>
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>(435,176)</u>	<u>(435,176)</u>
Total contributions by Owners of the Company	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
As 16 July 2014	<u>50</u>	<u>1,977</u>	<u>(435,176)</u>	<u>(433,149)</u>

The share capital comprises the ordinary issued share capital of the Company.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows of the Company for the period from incorporation to 30 June 2014 is stated below:

	<i>Note</i>	<i>US\$</i>
Cash Flows from Operating Activities		
Loss before income tax		(435,176)
Adjustments for:		
– Finance costs		2,234
Changes in working capital:		
– Trade and other receivables		(4,526)
– Trade and other payables		270,182
Cash used in operating activities		(167,286)
Interest paid		(2,234)
Net cash used in operating activities		<u>(169,520)</u>
Cash Flows from Investing Activities		
Purchases of intangible assets	7	(211,626)
Net cash used in investing activities		<u>(211,626)</u>
Cash Flows from Financing Activities		
Proceeds from share issue		2,027
Loans from related parties		416,378
Net cash generated from financing activities		418,405
Net Increase in Cash and Cash Equivalents		37,259
Cash and cash equivalents at beginning of year		—
Cash and Cash Equivalents at End of Year	16	<u><u>37,259</u></u>

Non-cash transactions

During the period under review, Russell Peck, the majority controlling shareholder of the Group made non-cash loans to the Company in the form of payments on behalf of the Company pertaining to the purchase of plant and equipment fixed assets amounting to US\$178,779.

NOTES TO THE FINANCIAL INFORMATION

1 General information

Strat Aero International, Inc. is a private company incorporated on 12 December 2013 and domiciled in the State of Delaware, USA, file number 54482-17. The address of its registered office is 19500 State Highway 249, Suite 655, Houston, Texas 77070-3000, USA. The nature of the Company's operations and its principal activities are to provide aviation software, products and services.

2 Summary of significant accounting policies

The principal Accounting Policies applied in the preparation of this Financial Information are set out below.

2.1 *Basis of preparation of financial information*

The Financial Information of the Company has been prepared on a historic basis as varied by the use of fair value in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European and the parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company has adopted IFRSs for this Financial Information and does not represent financial statements in accordance with the Companies Act 2006.

The Financial Information is presented in United States of America dollars ("US\$") rounded to the nearest dollar.

No comparative figures have been presented as the Financial Information covers the period from incorporation to 30 June 2014.

2.2 *New and amended standards*

(a) *New and amended standards and interpretations*

A number of new standards and amendments to standards and interpretations are effective for the annual period beginning after 12 December 2013 and have been applied in preparing these financial statements.

IFRS 13, 'Fair value measurement' became effective during the period. The standard requires specific disclosures on fair values, some of which replace existing disclosure requirements in IFRS 7, "Financial instruments: Disclosures". The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate to their book values due to the short maturity periods of these financial instruments.

(b) *New and amended standards, and interpretations mandatory for the first time for the financial year beginning 12 December 2013, but not currently relevant to the Company:*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 12 December 2013, and have not been applied in preparing this financial information. None of these is expected to have a significant effect on the financial information of the Company.

Amendment to IAS 19, 'Defined Benefit Plans: Employee Contributions', provides guidance added to IAS 19 Employee Benefits on accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan.

IFRS 7, 'Financial Instruments: Disclosures' was amended for asset and liability offsetting. This amendment requires disclosure of information that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Amendment to IFRS 1, 'First-time Adoption of International Financial Reporting Standards' on government loans, addresses how first-time adopters would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first time adopters granted to existing preparers of IFRS Financial Statements when the requirement was incorporated into IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' in 2008.

IFRIC 20, 'Stripping Costs in the Production Phase of a Surface Mine', clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

'Annual Improvements 2009 – 2011 Cycle' sets out amendments to various IFRSs as follows:

- An amendment to IFRS 1, 'First-time Adoption' clarifies whether an entity may apply IFRS 1:
 - (c) if the entity meets the criteria for applying IFRS 1 and has applied IFRS 1 in a previous reporting period; or
 - (d) if the entity meets the criteria for applying IFRS 1 and has applied IFRSs in a previous reporting period when IFRS 1 did not exist.
 - The amendment to IFRS 1 also addresses the transitional provisions for borrowing costs relating to qualifying assets for which the commencement date for capitalization was before the date of transition to IFRSs.
 - An amendment to IAS 1, 'Presentation of Financial Statements' clarifies the requirements for providing comparative information when an entity provides Financial Statements beyond the minimum comparative information requirements.
 - An amendment to IAS 16, 'Property, Plant and Equipment' addresses a perceived inconsistency in the classification requirements for servicing equipment.
 - An amendment to IAS 32, 'Financial Instruments: Presentation' addresses perceived inconsistencies between IAS 12, 'Income Taxes' and IAS 32 with regard to recognizing the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.
 - An amendment to IAS 34, 'Interim Financial Reporting' clarifies the requirements on segment information for total assets and liabilities for each reportable segment.
- (c) *New and amended standards and interpretations issued but not yet effective for the financial year beginning 12 December 2013 and not early adopted*

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial information are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets': Clarification of Acceptable Methods of Depreciation and Amortisation. The amendments clarify that a depreciation method which is based on revenue that is generated by an activity which includes the use of an asset is not appropriate for property, plant and equipment. The amendments also introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances. The Company has yet to assess the amendments full impact but intends to adopt no later than accounting period beginning on or after 1 January 2016, subject to EU endorsement.

IAS 27, 'Separate Financial Statements', replaces the current version of IAS 27, 'Consolidated and Separate Financial Statements' as a result of the issue of IFRS 10. The revised standard includes the requirements relating to separate financial statements. The Company has yet to assess the impact of the amendment but intends to adopt no later than accounting periods beginning on or after 1 January 2014.

IAS 28, 'Investments in Associates and Joint Ventures', replaces the current version of IAS 28, 'Investments in Associates', as a result of the issue of IFRS 11. The revised standard includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 1. The Company has yet to assess the impact of the amendment but intends to adopt no later than accounting periods beginning on or after 1 January 2014.

Amendment to IAS 19, 'Defined Benefit Plans: Employee Contributions', provides guidance added to IAS 19 Employee Benefits on accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. The Directors do not believe that this will have an impact on the Company however will be adopted no later than accounting period beginning on or after 1 July 2014, subject to endorsement by the EU.

Amendment to IAS 32, 'Offsetting Financial Assets and Financial Liabilities', add application guidance to address inconsistencies identified in applying some of the criteria when offsetting financial assets and financial liabilities. This includes clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The Company has yet to assess the full impact of the amendment to IAS 32 and intends to adopt the amended standard no later than the accounting period beginning on or after 1 January 2014.

Amendment to IAS 36, 'Recoverable Amount Disclosures for Non-Financial Assets', to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The Company has yet to assess full impact of the revised standard and intends to adopt the amendment to IAS 36 no later than the accounting period beginning on or after 1 January 2014.

Amendment to IAS 39, 'Novation of Derivatives and Continuation of Hedge Accounting', make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. The Company has yet to assess full impact and intends to adopt the amendment to IAS 39 no later than the accounting period beginning on or after 1 January 2014.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics for the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company has yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2014, subject to endorsement by the EU. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company has yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014.

IFRS 11, 'Joint Arrangements' provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangement; joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Company has yet to assess IFRS 11's full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2014.

Amendments to IFRS 11 "Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations" require an acquirer of an interest in a joint operation in which the activity constitutes a business as defined in IFRS 3. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation. The Company has yet to assess the full impact of this amendment and intends to adopt no later than accounting period beginning on or after 1 January 2016, subject to EU endorsement.

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in entities, including joint arrangements, associates, special purpose vehicles and other off Statement of Financial Position vehicles. The Company has yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2014.

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" clarify the IASB's intention when first issuing the transition guidance in IFRS 10, provide similar relief in IFRS 11 and IFRS 12 from the presentation or adjustment of comparative information for periods prior to the immediately preceding period, and provide additional transition relief by eliminating the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied. The Company plans to adopt these amendments no later than the annual period beginning on or after 1 January 2014.

Amendments to IFRS 10, 'Consolidated Financial Statements', IFRS 12, 'Disclosure of Interests in Other Entities' and IAS 27, 'Separate Financial Statements', provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement. The Company has yet to assess the full impact of these amendments and intends to adopt the amended standards no later than the accounting period beginning on or after 1 January 2014.

IFRS 14 'Regulatory Deferral Accounts' permits an entity which is a first time adopter of International Financial Reporting Standards to continue to account, with some limited changes for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. The Company has yet to assess the full impact of this amendment and intends to adopt no later than the accounting period beginning on or after 1 January 2016, subject to EU endorsement.

IFRS 15 ‘Revenue from Contracts with Customers’ provides a single, principles based five-step model to be applied to all contracts with customers. The standard includes guidance on the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. IFRS 15 also introduces new disclosures about revenue. The Company has yet to assess the full impact of this amendment and intends to adopt no later than the accounting period beginning on or after 1 January 2017, subject to EU endorsement.

IFRIC 21, ‘Levies’, provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognised progressively if the obligating event occurs over a period of time;
- If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

The Company has yet to assess the full impact and intends to adopt the standard no later than the accounting period beginning on or after 1 January 2014.

‘Annual Improvements 2010 – 2012 Cycle’ sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:

- IFRS 2 “Share-based Payment”: amendment to the definition of a vesting condition.
- IFRS 3 “Business Combinations”: amendments to the accounting for contingent consideration in a business combination.
- IFRS 8 “Operating Segments”: amendments to the aggregation of operating segments and the reconciliation of the total of the reportable segments’ assets to the entity’s assets.
- IFRS 13 “Fair Value Measurement”: amendments to short-term receivables and payables.
- IAS 16 “Property, Plant and Equipment”: amendments to the revaluation method in relation to the proportionate restatement of accumulated depreciation.
- IAS 24 “Related Party Disclosures”: amendments regarding key management personnel.
- IAS 38 “Intangible Assets”: amendments to the revaluation method in relation to the proportionate restatement of accumulated depreciation.

The Company intends to adopt the amended standards no later than the annual period beginning on or after 1 July 2014, subject to EU endorsement.

‘Annual Improvements 2011 – 2013 Cycle’ sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:

- IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’: amendment to the meaning of ‘effective IFRSs’.
- IFRS 3 ‘Business Combinations’: amendments to the scope exceptions for joint ventures.
- IFRS 13 ‘Fair Value Measurement’: amendments to the scope of paragraph 52 (portfolio exception).
- IAS 40 ‘Investment Property’: amendments clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The Company intends to adopt the amended standards no later than the annual period beginning on or after 1 July 2014, subject to EU endorsement.

2.3 *Foreign currencies*

(a) *Functional and presentation currency*

Items included in the Financial Information of the Company are measured in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Financial Information, the results and financial position are expressed in US Dollars, which is the functional and presentational currency of the Company.

(b) *Transactions and balances*

In preparing the Financial Information, foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

2.4 *Plant and equipment*

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Plant and equipment 5 years

Motor vehicles 3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and are recognised within "Other (Losses)/Gains – Net" in the income statement.

2.5 *Intangible assets*

Intellectual property rights

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 and 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.

Directly attributable costs that are capitalised as part of the intellectual property rights include the development employee costs and an appropriate portion of relevant overheads.

No amortisation has been charged during the period on incorporation to 30 June 2014 as the product remains in its development phase.

The Company's core platform 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 Company reviews the carrying amounts of its intangible assets to determine whether the carrying amount is recoverable. Where the asset does not generate cash flows that are independent from other assets, the Company 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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the Income Statement immediately.

2.6 *Impairment of non-financial assets*

Assets that have an indefinite useful life, for example, intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Tangible assets 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 *Financial assets*

Classification

The Company classifies its financial assets in the following category: 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 Company's loans and receivables comprise Trade and Other Receivables and Cash and Cash Equivalents in the Statement of Financial Position.

Recognition and measurement

Financial assets are initially recognised at fair value. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred, and the Company has transferred substantially all of the risks and rewards of ownership.

Impairment of financial assets

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

2.8 *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.

2.9 *Share capital*

Equity comprises the following:

- “Share capital” represents shares issued at par value;
- “Share premium” represents the premium paid on shares issued above par value; and
- “Retained earnings” represents retained profits or losses.

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

2.10 *Trade 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.

2.11 *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 income statement on a straight-line basis over the period of the lease.

3 **Financial risk management**

3.1 *Financial risk factors*

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

Currency risk

The Company operates internationally, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Pound Sterling and the Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

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 Group’s 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.

3.2 *Capital risk management*

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern, in order to enable the Group to continue its activities and bring its products to market. The Parent Company has secured amounts from related parties at 16 July 2014 and 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.

4 Critical accounting estimates and judgements

The preparation of the Financial Information in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce this Financial Information.

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.

Significant items subject to such estimates and assumptions include, but are not limited to:

Impairment of intangible assets

The Company tests annually for impairment in its intangible assets, which have a carrying value as at 30 June 2014 of US\$211,626. There has been no impairment during the current financial period.

5 Segment information

Management has determined the operating segments based on reports reviewed by the Board of Directors that are used to make strategic decisions. During the period under review the Company had no revenue, and as such the activities mainly comprise administrative and development in nature occurred.

There is therefore no further disclosure to be noted in respect of segmental information.

6 Plant and equipment

	<i>Plant and equipment US\$</i>	<i>Motor vehicles US\$</i>	<i>Total US\$</i>
Cost			
At incorporation	—	—	—
Additions	151,000	27,779	178,779
At 30 June 2014	<u>151,000</u>	<u>27,779</u>	<u>178,779</u>
Accumulated depreciation			
At incorporation and 30 June 2014	—	—	—
Net book value			
At incorporation	—	—	—
At 30 June 2014	<u>151,000</u>	<u>27,779</u>	<u>178,779</u>

7 Intangible assets

	<i>Developed property rights US\$</i>
Cost	
At incorporation	—
Additions	211,626
At 30 June 2014	<u>211,626</u>
Accumulated amortisation	
At incorporation and 30 June 2014	—
Net book value	
At incorporation	—
At 30 June 2014	<u>211,626</u>

8 Investment in subsidiaries

2014

Shares in group undertakings:
At incorporation and 30 June 2014

—

Investments in group undertakings are recorded at cost, which is the fair value of consideration paid.

The Company's investments at the Statement of Financial Position date include the position of managing member of the follow:

<i>Name of Company</i>	<i>Place of establishment</i>	<i>Parent company</i>	<i>Registered capital</i>	<i>Share capital held</i>	<i>Principal activities</i>
Strat Aero International Consultancy Group, LLC.	United States of America	Strat Aero International, Inc.	N/A	100%	Dormant company

9 Trade and other receivables

US\$
2014

Amounts due from group undertakings (Note 20)

4,526

4,526

Amounts due from group undertakings are financial assets categorised as loans and receivables and are due within one year.

The carrying amounts due from group undertakings are denominated in US Dollars.

10 Cash and cash equivalents

US\$
2014

Cash at bank and in hand

37,259

37,259

Cash and cash equivalents include the above for the purposes of the Statement of Cash Flows and are financial assets categorised as loans and receivables.

11 Share capital and premium

	<i>Number of Shares</i>	<i>Ordinary Shares US\$</i>	<i>Share Premium US\$</i>	<i>Total US\$</i>
At incorporation	10,000	50	1,977	2,027
At 30 June 2014	<u>10,000</u>	<u>50</u>	<u>1,977</u>	<u>2,027</u>

12 Retained earnings

US\$
2014

At incorporation
Loss for the year

—

(435,176)

(435,176)

13 Trade and other payables

	<i>US\$</i> <i>2014</i>
Trade payables	44,918
Amounts due to related parties (Note 20)	595,157
Social security and other taxes	10,253
Accruals	215,011
	<u>865,339</u>

Trade and other payables are classified as financial liabilities measured at amortised cost.

14 Expenses by nature

	<i>US\$</i> <i>2014</i>
Staff costs (Note 15)	236,375
Marketing and sales	11,573
Rental – operating lease	27,206
Consultancy fees	53,275
Legal fees	20,205
Insurance	4,847
Travel and subsistence	62,517
Other	16,944
	<u>432,942</u>

15 Employees

Employee benefit expense

	<i>US\$</i> <i>2014</i>
Salaries and wages	387,500
Social security costs	14,627
Less: capitalised employee benefits	<u>(165,752)</u>
	<u>236,375</u>

Average number of people employed:

	<i>No.</i>
Directors	3
Development	4
Administration	1
	<u>8</u>

16 Finance costs

	<i>US\$</i> <i>2014</i>
Interest expense	2,234
	<u>2,234</u>

17 Income tax expense

	<i>US\$</i> <i>2014</i>
Current tax on loss for the period	—
Income tax expense	<u>—</u>

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

Loss before Tax	<u>(435,176)</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries (20% and 30%)	(130,553)
Tax effects of:	
– Tax losses carried forward	<u>130,553</u>
Total Income tax expense	<u>—</u>

18 Earnings per share

The calculation for earnings per share (basic and diluted) for the relevant period is based on the loss after income tax attributable to equity holder for the period from incorporation to 30 June 2014 and is as follows:

	<i>US\$</i> <i>2014</i>
Loss attributable to equity holders	(435,176)
Weighted average number of shares	<u>10,000</u>
Loss per share	<u>(43.52)</u>

19 Commitments

Capital commitments

As at 30 June 2014, the Company had no capital commitments.

20 Related parties

The immediate parent undertaking of the Company is Strat Aero Plc, a company incorporated in the United Kingdom, England and Wales.

As at 16 July 2014 and 30 June 2014, Russell Peck was the majority controlling shareholder of the Group. The remaining shares are widely held.

Amounts due to and from related parties

	<i>US\$</i> <i>2014</i>
Amounts due from group undertakings (Note 8)	
– Strat Aero International Limited	<u>4,526</u>
Amounts due to related parties (Note 13)	
– Strategic Aerospace Limited	(221,319)
– Russell Peck	<u>(373,838)</u>

The receivables and payables from group undertakings arise mainly from working capital transfers from one group entity to another.

Graham Peck, Russell Peck and Robert Salluzzo, Directors of the Company are also Directors of Strategic Aerospace Limited, which is not part of the group. Strat Aero International, Inc. has received US\$221,319 monies in advance from potential shareholders subscribing for ordinary shares on behalf of Strategic Aerospace Limited.

Russell Peck, a Director of the Company has provided Strat Aero International, Inc. advances of US\$373,838 to fund its initial operations and working capital requirements. The advances remain outstanding at the period end.

21 Key management compensation

Key management includes Directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee services is as follows:

	<i>US\$</i>
	<i>2014</i>
Directors	
Aggregate emoluments	165,000
Total	<u>165,000</u>

22 Events after the reporting date

On 16 July 2014, Russell Peck, was issued 1,542,285 ordinary shares of £0.01 each fully paid at £0.06 per share by the Company’s immediate parent company, Strat Aero plc, to satisfy the advanced sum of US\$148,059 received. As at 16 July 2014, no further amounts were due to Russell Peck.

23 Nature of financial information

The financial information presented above does not constitute statutory accounts for the period under review.

24 Auditors

The Company has yet to pass the end of its first financial period and has therefore not presented any audited financial statements to its members.

PART V
SECTION A
UNAUDITED PRO FORMA STATEMENT OF NET ASSETS



The Directors
Strat Aero Plc
The Beehive
City Place
Gatwick Airport
West Sussex
RH6 0PA

The Partners
SP Angel Corporate Finance LLP
Prince Frederick House
35-39 Maddox Street
London
W1S 2PP

7 November 2014

Dear Sirs

Report on the unaudited pro forma statement of net assets

We report on the unaudited pro forma statement net assets (the “Statement of Pro forma Net assets”) set out Section B of Part V, of the Admission Document dated 7 November 2014, which has been prepared on the basis described in notes 1 to 7, for illustrative purposes only, to provide information about how the Admission, the Placing and capitalisation of a loan might have affected the financial information presented on the basis of the accounting policies adopted by Strat Aero Plc.

This report is required by guidance issued by the London Stock Exchange with respect to AIM and is given for the purpose of complying with the guidance issued by the London Stock Exchange and for no other purpose.

Responsibilities

It is the responsibility solely of the Directors of Strat Aero Plc to prepare the Statement of Pro forma Net assets.

It is our responsibility to form an opinion as to the proper compilation of the Statement of Pro forma Net assets and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purposes of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering evidence supporting the adjustments and discussing the Statement of Pro forma Net assets with the Directors of Strat Aero Plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Statement of Pro forma Net assets has been properly compiled on the basis stated and as such is consistent with the accounting policies of Strat Aero Plc.

Opinion

In our opinion:

- The Statement of Pro forma Net assets has been properly compiled on the basis set out therein;
- Such bases are consistent with the accounting policies of Strat Aero Plc; and
- The adjustments are appropriate for the purposes of the Statement of Pro forma Net assets as disclosed.

Declaration

For the purposes of guidance issued by the London Stock Exchange we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included within the Admission Document in compliance with guidance issued by the London Stock Exchange.

Yours faithfully

PKF Littlejohn LLP

PART V

SECTION B

UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET ASSETS OF STRAT AERO PLC

Set out below is an unaudited Pro-forma Statement of Consolidated Net Assets of Strat Aero Plc (“the Company”) and subsidiaries (together the “Group”) which has been prepared for illustrative purposes only to show the effect of the Placing as if it had occurred on 16 July 2014. The Pro-forma Consolidated Statement of Net Assets has been prepared for illustrative purposes only, and because of its nature, it may not give a true reflection of the Group’s financial position or results.

	<i>Company net assets as at 16 July 2014 (Note 1) US\$</i>	<i>SAIL net assets as at 30 June 2014 (Note 2) US\$</i>	<i>SAI net assets as at 30 June 2014 (Note 3) US\$</i>	<i>Issue of pre- IPO shares net of costs (Note 4) US\$</i>	<i>Issue of placing shares net of costs (Note 5) US\$</i>	<i>Unaudited pro forma adjusted net assets of Group on admission to AIM US\$</i>
Assets						
Non-current assets						
Intangible assets	257,130	—	211,626	—	—	1,114,229
Plant and equipment	—	—	178,779	—	—	178,779
Investments in subsidiaries	857,099	—	—	—	—	857,099
	1,114,229	—	390,405	—	—	1,504,634
Current assets						
Trade and other receivables	148,059	84,710	4,526	—	—	237,295
Cash and cash equivalents	—	4,527	37,259	—	480,000	521,786
Total assets	1,262,288	89,237	432,190	—	480,000	2,263,715
Liabilities						
Current liabilities						
Trade and other payables	—	32,595	865,339	(436,330)	—	(461,604)
Total liabilities	—	32,595	865,339	(436,330)	—	(461,604)
Total assets less total liabilities	1,262,288	56,642	(433,149)	436,330	480,000	1,802,111

Notes

The unaudited pro-forma statement of net assets has been prepared on the following basis:

1. The net assets of Strat Aero Plc as at 16 July 2014 have been extracted without adjustment from the Financial Information included in Part III of this document.
2. The net assets of the Strat Aero International Limited as at 30 June 2014 have been extracted without adjustment from the Financial Information included in Part IV of this document.
3. The net assets of the Strat Aero International, Inc. as at 30 June 2014 have been extracted without adjustment from the Financial Information included in Part IV of this document.
4. An adjustment has been made to reflect the various issues of Ordinary Shares of the Company on 14 August 2014 at an issue price of £0.06 per Ordinary Share in respect of: (i) accrued salaries of US\$215,011 due to Directors and Management of the Company as at 30 June 2014; and (ii) amounts pursuant to private subscription agreements amounting to US\$221,319 as at 30 June 2014.
5. An adjustment has been made to reflect the proceeds of the Placing of 8,125,000 Ordinary Shares of the Company at an issue price of 8 pence per Ordinary Share net of an adjustment to reflect the payment in cash of admission costs estimated at US\$560,000 inclusive of any non recoverable VAT.
6. No other adjustments have been made to reflect the trading or other transactions of the Company and its subsidiaries since 16 July 2014 and 30 June 2014, respectively.
7. The unaudited pro-forma statement of consolidated net assets does not constitute financial statements.

PART VI

ADDITIONAL INFORMATION

1 Responsibility

The Company and the Directors, whose names and functions are set out on page 6 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

PKF Littlejohn LLP accepts responsibility for their reports contained in Section A of Part III and Sections A and C of Part IV of this document.

2 The Company and the Group

- 2.1 The Company was incorporated and registered in England and Wales on 1 July 2014 under the name Strat Aero Limited with registered number 09109008, as a private company limited by shares under the Act. The Company was re-registered as a public limited company on 21 August 2014 and changed its name to Strat Aero plc.
- 2.2 The liability of the members of the Company is limited to the amount paid up or to be paid up on its shares.
- 2.3 The Company's registered office, principal place of business and head office is at The Beehive, City Place, Gatwick Airport, West Sussex RH6 0PA and its telephone number is at + 44 (0)1293 804741. The Company is domiciled in the United Kingdom.
- 2.4 The Company's website, at which the information required by Rule 26 of the AIM Rules for Companies can be found, is www.strat-aero.com.
- 2.5 The Company's main activity is that of a holding company.
- 2.6 The Company's auditors PKF Littlejohn LLP, a firm of chartered accountants, is a registered auditor and is regulated in the conduct of its services by the Institute of Chartered Accountants in England and Wales.
- 2.7 The principal legislation under which the Company operates is the Companies Act 2006 and the regulations made thereunder.
- 2.8 The Company is the holding company of the Group with a 100 per cent. ownership interest in the following significant subsidiary undertakings, being those considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, financial position and/or profits and losses of the Group:
 - (a) Strat Aero International Limited (incorporated in England and Wales on 12 December 2013 as a private limited company under registered number 08813081); its principal activity is developing, marketing and selling training programs, software and other services and products to the aviation industry, including unmanned aviation vehicles and remote piloted aircraft with a focus on EMENA markets; and
 - (b) Strat Aero International, Inc. (incorporated in the State of Delaware on 12 December 2013); its principal activity is developing, marketing and selling training programs, software and other services and products to the aviation industry, including unmanned aviation vehicles and remote piloted aircraft with a focus on US markets.

3 Share capital

3.1 The issued share capital of the Company at the date of this document and following Admission is and will be as follows:

<i>Issued and fully paid prior to the Placing and Admission</i>		<i>Issued and fully paid following the Placing and Admission</i>	
<i>Nominal Value £</i>	<i>Number of Ordinary Shares of £0.01 each</i>	<i>Nominal Value £</i>	<i>Number of Ordinary Shares of £0.01 each</i>
688,434	68,843,437	769,684	76,968,437

3.2 On incorporation of the Company, one ordinary share of £0.01 was issued.

3.3 The following is a summary of the changes in the issued share capital of the Company since its incorporation:

- (a) on 16 July 2014:
 - (i) 49,999,999 ordinary shares of £0.01 each were issued as consideration for the entire share capital of SAIL Inc;
 - (ii) 2,500,000 ordinary shares of £0.01 each were issued as consideration for the AIMS IP; and
 - (iii) 1,542,285 ordinary shares of £0.01 each were issued as consideration for the conversion of a shareholders loan to equity.
- (b) on 10 August 2014, 3,499,999 ordinary shares of £0.01 each were issued pursuant to private subscription agreements at a price of £0.06 per ordinary share raising a total of £210,000;
- (c) on 12 August 2014, 2,749,998 ordinary shares of £0.01 each were issued pursuant to private subscription agreements at a price of £0.06 per ordinary share raising a total of £165,000;
- (d) on 14 August 2014, 4,845,159 ordinary shares of £0.01 each were issued pursuant to private subscription agreements at a price of £0.06 per ordinary share raising a total of £290,709;
- (e) on 14 August 2014, 3,524,178 ordinary shares of £0.01 each were issued in respect of the conversion of accrued salaries to the Directors and management of the Company of £211,451 within the Company and its subsidiaries; and
- (f) on 25 September 2014, 181,818 ordinary shares of £0.01 each were issued to Northland Capital Partners LLP at a price of £0.11 per ordinary share.

3.4 By ordinary and special resolutions passed on 5 August 2014;

- (a) the Directors of the Company were authorised, for the purposes of section 551 of the Act to allot relevant securities in the capital of the Company, a general authority of up to a nominal amount of £5,000,000, such authorisation to expire at the conclusion of the next annual general meeting; and
- (b) subject to the passing of the resolution detailed in paragraph 3.4(a) above (the “section 551 Resolution”), the Directors were empowered to allot equity securities pursuant to the section 551 Resolution as if section 561(1) of the Act did not apply, such power being limited to:
 - (i) the allotment of equity securities in connection with an offer to all the holders of Ordinary Shares in proportion (as nearly may be) to the number of Ordinary Shares held by them (but subject to such exclusions, limits or restrictions or other arrangements as the Directors may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems, in or under the laws of any territory or the requirements of any regulatory body or in any stock exchange in any territory or otherwise howsoever); and

- (ii) otherwise than pursuant to paragraph 3.4(b)(i) above, the allotment of equity securities up to an aggregate nominal amount of £5,000,000, such power to expire at the conclusion of the next annual general meeting of the Company.
- 3.5 Save as disclosed in paragraphs 3.2, 3.3, 3.4, 6.4.1 and 6.4.2 of this Part VI:
 - (a) no share capital of the Company or of any member of the Group is under option or has been agreed conditionally or unconditionally to be put under option;
 - (b) no share or loan capital of the Company has been issued or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;
 - (c) no commission, discount, brokerage or any other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company;
 - (d) no persons have preferential subscription rights in respect of any share or loan capital of the Company or any subsidiary; and
 - (e) no amount or benefit has been paid or is to be paid or given to any promoter of the Company.
- 3.6 Otherwise than pursuant to the Placing, none of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with application for the Ordinary Shares to be admitted to AIM.
- 3.7 The Existing Ordinary Shares are, and the Placing Shares will be, in registered form and may be held in either certificated or uncertificated form. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. Accordingly, it is intended that following Admission settlement of transactions in the Ordinary Shares may take place within the CREST system if the relevant shareholders so wish.
- 3.8 There are no listed or unlisted securities issued by the Company not representing share capital.
- 3.9 The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after Admission on the issued share capital.
- 3.10 More than 10 per cent. of the issued share capital of the Company has been paid for with assets other than cash since incorporation.

4 Articles of Association

The Articles of the Company (adopted on 5 August 2014) include the following key provisions:

(a) ***Objects***

The Articles contain no specific restrictions on the company's objects and therefore, by virtue of section 31(1) of the Act the Company's objects are unrestricted.

(b) ***Voting rights***

Subject to paragraph (g) below, and to any special terms as to voting upon which any shares may for the time being, be held, on a show of hands every member who (being an individual) is present in person or by proxy (being a corporation) is present by a duly appointed representative shall have one vote and on a poll every member present in person or by a representative or proxy shall have one vote for every ordinary share in the capital of the Company held by him. A proxy need not be a member of the Company.

(c) ***Variation of rights***

If at any time the capital of the Company is divided into different classes of shares all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares (excluding

any shares of that class held as treasury shares) of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. At every such separate general meeting (except an adjourned meeting), the quorum shall be two persons holding or representing by proxy one-third in nominal value of the issued shares of that class.

(d) ***Alteration of capital***

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger nominal value, sub-divide all or any of its shares into shares of a smaller nominal value and cancel any shares not taken, or agreed to be taken, by any person.

The Company may, subject to the Act, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account.

Subject to and in accordance with the provisions of the Act, the Company may purchase its own shares (including any redeemable shares), provided that the Company shall not purchase any of its shares unless such purchase has been sanctioned by a special resolution passed at a separate meeting of the holders of any class of shares convertible into equity share capital of the Company.

(e) ***Transfer of shares***

A member may transfer all or any of his shares (1) in the case of certificated shares by instrument in writing in any usual or common form or in such other form as may be approved by the Directors and (2) in the case of uncertificated shares, through the Uncertificated Regulations 2001 (SU2001/3755) (the “Uncertificated Regulations”). The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, if the share is not fully paid, by or behalf of the transferee. The Directors may in their absolute discretion refuse to register a transfer of any share held in certificated form which (amongst other matters) is not fully paid, provided that dealings in the shares are not prevented from taking place on an open and proper basis. In the case of uncertificated shares, the Directors may only refuse to register a transfer in accordance with the Uncertificated Regulations. The Directors may also refuse to register a transfer of shares (whether fully paid or not) if the transfer is in favour of more than four persons jointly. Subject to that and to paragraph (g) below, the Articles contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with.

(f) ***Dividends***

- (i) the Company may by ordinary resolution in general meeting declare dividends. The Directors may from time to time pay such interim dividends as appear to the Directors to be justified.
- (ii) subject to the rights of persons, if any, holding shares with special dividend rights, and subject to paragraph (f) below, all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose.
- (iii) all dividends unclaimed for a period of 12 years after the payment date for such dividend shall if the Directors so resolve be forfeited and shall revert to the Company.
- (iv) the Directors may, if authorised by an Ordinary Resolution of the Company, offer the holders of shares the right to elect to receive additional shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend. The Directors may at their discretion make the right to participate in any such elections subject to restrictions necessary or expedient to deal with legal, regulatory or other difficulties in respect of overseas shareholders.

(g) ***Suspension of rights***

If a member or any other person appearing to be interested in shares held by such shareholder has been duly served with notice under section 793 of the Act and is in default in supplying to the Company within 14 days (or such longer period as may be specified in such notice) the information thereby, required, then (if the Directors so resolve) such member shall not be entitled to vote or to exercise any right conferred by membership in relation to meetings of the Company in respect of the shares which are the subject of such notice. Where the holding represents more than 0.25 per cent. of the issued shares of that class (calculated exclusive of any treasury shares of that class) the payment of dividends may be withheld, and such member shall not be entitled to transfer such shares otherwise than by an arm's length sale.

(h) ***Return of capital***

Subject to any preferred, deferred or other special rights, or subject to such conditions or restrictions to which any shares in the capital of the Company may be issued, on a winding-up or other return of capital, the holders of ordinary shares are entitled to share in any surplus assets *pro rata* to the amount paid up on their ordinary shares. A liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the members in specie or in kind the whole or any part of the assets of the Company, those assets to be set at such value as he deems fair. A liquidator with the sanction of a special resolution may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members.

(i) ***Pre-emption rights***

There are no rights of pre-emption under the articles of association of the Company in respect of transfers of issued Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

(j) ***Shareholder Meetings***

Annual general meetings should be held at such time and place as the Board determines. Other general meetings may be called whenever the directors think fit or when one has been requisitioned in accordance with the Act. Two members present in person or by proxy (or, being a corporation, present by a duly appointed representative) at the meeting and entitled to vote shall be a quorum for all purposes.

Annual general meetings or a meeting at which it is proposed to pass a resolution requiring special notice are called on at least 21 days' notice in writing, exclusive of the day of which the notice is served or deemed to be served and of the day on which the meeting is to be held. Other general meetings are to be called on 14 days' notice in writing exclusive of the day on which the notice is served or deemed to be served and the day on which the meeting is to be held. The annual general meeting may be called on shorter notice providing all members entitled to attend and vote agree and a general meeting can be called on shorter notice if a majority in number of the members having a right to attend and vote at the general meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, consent.

(k) ***Directors***

Save as provided in the Articles or by the terms of any authorisation given by the Directors, a director shall not vote as a director in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement or any other proposal whatsoever in which he (or any person connected with him) has any interest (otherwise than by virtue of an interest in shares or debentures or other securities of or otherwise in or through the Company) and which conflicts or may conflict with the interests of the Company and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting.

A director shall (in the absence of some other interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution relating to any of the following matters namely:

- (a) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (c) where the Company or any of its subsidiary undertakings is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;
- (d) relating to another company in which he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 820 to 825 (inclusive) of the Act) representing 1 per cent. or more of either any class of the equity share capital, or the voting rights, in such company;
- (e) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- (f) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors;
- (g) the funding of expenditure by one or more Directors in defending proceedings against him or them or doing anything to enable such Director(s) to avoid incurring such expenditure provided that such funding is consistent with, or no more beneficial to him than the provisions of these Articles (and provided always such funding is permitted pursuant to the provisions of the Acts); or
- (h) the giving of an indemnity or indemnities in favour of one or more Directors which is/are consistent with, or no more beneficial to him than any such indemnities provided pursuant these Articles (and provided always such indemnities are permitted pursuant to the provisions of the Acts).

Fees may be paid out of the funds of the Company to directors who are not managing or executive directors at such rates as the Directors may from time to time determine.

The Directors (including alternate Directors) are entitled to be paid out of the funds of the Company all their travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, including their expenses of travelling to and from meetings of the Directors, committee meetings or general meetings.

Save as provided by the Articles or by the terms of authorisation given by the Directors, a director shall not vote as a director or be counted in the quorum in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement in which he has any interest which conflicts or may conflict with the interests of the Company. If he does vote, his vote shall not be counted.

The remuneration and other terms and conditions of appointment of a director appointed as managing director or to any other executive office or employment under the Company shall from time to time (without prejudice to the provisions of any agreement between him and the Company) be fixed by the Directors or by any committee appointed by the directors, and may (without limitation) be by way of fixed salary, lump sum, commission on the dividends or profits of the

Company (or of any other company in which the Company is interested) or other participation in any such profits or otherwise or by any or all or partly by one and partly by another or others of those modes.

(l) ***Borrowing***

The Directors may exercise all the powers of the Company to borrow or raise money, to mortgage or charge all or any of its undertaking, property, assets and uncalled capital, to issue debentures and other securities, and to give security whether outright or as collateral security for any debt, liability or obligation of the Company, any subsidiary of the Company or of any third party.

5 Mandatory Bids, Squeeze-out and Sell-out Rules

5.1 *Mandatory bid*

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares and/or interests therein were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for all of the remaining Ordinary Shares at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months.

This requirement would also be triggered by any acquisition of Ordinary Shares and/or interest therein by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights of the Company.

5.2 *Squeeze-out*

Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares to which an offer relates, within four months of making its offer it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for such Shareholders.

The consideration offered to the Shareholders whose Ordinary Shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer unless the Shareholders can show that the offer value is unfair.

5.3 *Sell-Out*

The Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of Ordinary Shares to which the offer relates who has not accepted the offer can by a written communication to the offeror require it to acquire those Ordinary Shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising.

The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises its rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

6 Directors' and Other Interests

6.1 *Disclosure of Interest in shares*

A shareholder in a public company incorporated in the England and Wales whose shares are admitted to trading on AIM is required pursuant to rule 5 of the Disclosure and Transparency Rules to notify the Company of the percentage of his voting rights if the percentage of voting rights which

he holds as a shareholder or through his direct or indirect holding of financial instruments reaches, exceeds or falls below certain thresholds. Pursuant to Part 22 of the Act, the Company is empowered by notice in writing to require any person whom the Company knows, or has reasonable cause to believe to be or, at any time during 3 years immediately proceeding the date on which the notice is issued, within a reasonable time to disclose to the Company particulars of any interest, rights, agreement or arrangements affecting any of the shares held by that person or in which such other persons as aforesaid is interested.

6.2 *Directors' and other significant interests in the Company's share capital.*

6.2.1 At the date of this document and immediately following Admission, the interests of the Directors and their immediate family members and persons connected with them (within the meaning of section 252 of the Act) in the share capital of the Company all of which are legal and beneficial (so far as the Directors are aware having made due and proper enquiry of such persons as are connected with each Director) are as follows:

<i>Shareholders</i>	<i>As at the date of this document</i>		<i>Immediately following the Placing and Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Enlarged Share Capital</i>
Russell Peck	24,207,675	35.16%	24,207,675	31.45%
Graham Peck*	5,869,596	8.53%	5,869,596	7.63%
Robert Salluzzo**	5,069,596	7.36%	5,069,596	6.59%

* includes 1,000,000 shares held by Claire Peck who is the wife of Graham Peck

** held in the name of Equity Trust Company Inc., custodian on behalf of Mary Salluzzo who is the wife of Robert Salluzzo.

6.2.2 Save as disclosed in this Part VI, immediately following Admission no Director nor any member of a Director's family is expected to have any interest, beneficial or non-beneficial, in the share capital of the Company.

6.2.3 Save for the Directors and their connected persons (within the meaning of section 252 of the Act), at the date of this document and immediately following Admission, so far as the Directors are aware, no person is directly or indirectly interested in more than 3 per cent. of the issued Ordinary Shares other than as set out below:

<i>Shareholders</i>	<i>As at the date of this document</i>		<i>Immediately following the Placing and Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Enlarged Share Capital</i>
Jonathan E Adams	6,419,596	9.32%	6,419,596	8.34%
The trustees for the time being of the REB Living Trust*	5,000,000	7.26%	5,000,000	6.50%
The trustees for the time being of The Focusplay Retirement Benefit Scheme	3,765,424	5.46%	3,765,424	4.89%
Fitel Nominees Limited	—	—	2,500,000	3.25%
Peggy Rooks	2,400,000	3.49%	2,400,000	3.12%

* includes 2,000,000 shares held by Barbara Oaster, a party connected to the REB Living Trust

6.2.4 Save as described above, the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company nor are there any arrangements the operation of which may at a later date result in a change of control of the Company. None of the persons listed above as Shareholders has voting rights which are different from the voting rights of other holders of Ordinary Shares.

6.3 *Directors' remuneration, service agreements and letters of appointment*

6.3.1 The Directors have the following service contracts or letters of appointment with the Company, conditional on Admission:

(a) ***Captain Graham Peck***

A service agreement dated 17 October 2014 between the Company and Captain Graham Peck under which the executive is employed as Executive Chairman at a salary of £1,818 (\$3,000) per calendar month, payable from Admission. His appointment shall continue unless and until terminated by either party on six months' notice in writing to the other, or the agreement terminates due to unsatisfactory performance or he is not re-elected at future annual general meetings of the Company where he is required to offer himself up for re-election in accordance with the articles of association of the Company.

Captain Graham Peck is also employed by SAIL Ltd pursuant to an employment agreement dated 17 October 2014. Pursuant to the agreement Captain Peck agreed to serve as Chairman of SAIL Ltd for an initial period of five (5) years at an annual base salary payable from Admission of £62,500 plus an initial incentive bonus of £22,137. The incentive bonus is reflective of the benefits Mr Peck has brought to SAIL Ltd as a result of his prior experience. The bonus is payable in twelve equal monthly instalments, commencing from Admission. In addition, Captain Graham Peck is entitled to the reimbursement of expenses he incurs on behalf of SAIL Ltd, including a monthly payment of £300 for expenses if he works from his home for more than 50 per cent. of any month. Captain Peck is subject to confidentiality undertakings, non-compete and non-solicitation covenants for a period of 12 months following the termination of the service agreement.

(b) ***Captain Russell Peck***

A service agreement dated 17 October 2014 between the Company and Captain Russell Peck under which the executive is employed as Chief Executive Officer at a salary of \$3,000 per calendar month, payable from Admission. His appointment shall continue unless and until terminated by either party on six months' notice in writing to the other, or the agreement terminates due to unsatisfactory performance or he is not re-elected at future annual general meetings of the Company where he is required to offer himself up for re-election in accordance with the articles of association of the Company.

Captain Russell Peck is also employed by SAIL Inc pursuant to an employment agreement dated 17 October 2014. Pursuant to the agreement Captain Peck agreed to serve as Chief Executive Officer of SAIL Inc for an initial period of five (5) years at an annual base salary payable from Admission of \$130,000 plus an initial incentive bonus of \$37,423. The incentive bonus is reflective of the benefits Captain Peck has brought to SAIL Inc as a result of his prior experience. The bonus is payable in twelve equal monthly instalments, commencing from Admission. Captain Peck is subject to confidentiality undertakings, non-compete and non-solicitation covenants for a period of 12 months following the termination of the service agreement.

(c) ***Robert Salluzzo***

A service agreement dated 17 October 2014 between the Company and Robert Salluzzo under which the executive is employed as Chief Financial Officer at a salary of \$3,000 per calendar month, payable from Admission. His appointment shall continue unless and until terminated by either party on six months' notice in writing to the other, or the agreement terminates due to unsatisfactory performance or he is not re-elected at future annual general meetings of the Company where he is required to offer himself up for re-election in accordance with the articles of association of the Company.

Mr Salluzzo is also employed by SAIL Inc pursuant to an employment agreement dated 17 October 2014. Pursuant to the agreement Mr Salluzzo agreed to serve as Chief Financial Officer of SAIL Inc for an initial period of five (5) years at an annual base salary payable from Admission of \$100,000 plus an initial incentive bonus of \$35,420. The incentive bonus is reflective of the benefits Mr Salluzzo has brought to SAIL Inc as a result of his prior experience. The bonus is payable in twelve equal monthly instalments, commencing from Admission. The employee is subject to confidentiality undertakings, non-compete and non-solicitation covenants for a period of 12 months following the termination of the service agreement.

(d) ***Greg Kuenzel***

Mr Kuenzel was appointed by a letter of appointment dated 7 November 2014 which provides for remuneration conditional on Admission of £12,000 per annum. The engagement is terminable on one month's written notice by either party. Mr Kuenzel is subject to confidentiality undertakings.

6.3.2 Save as stated above, there are no service agreements existing or proposed between any of the Directors and the Company which are not terminable within six months by the Company without payment of compensation (other than statutory compensation).

6.4 ***Loans and guarantees***

6.4.1 On 17 October 2014 the Company and Captain Russell Peck entered into an unsecured loan agreement in respect of an amount of \$178,779. The funds provided by Captain Peck were used by the Group to acquire the SkyRanger UAV and a vehicle for use as a mobile command centre. The loan is repayable in 36 equal monthly instalments. Interest on the loan is payable at a rate of 4 per cent. p.a.

6.4.2 On 17 October 2014 SAIL Inc and Captain Russell Peck entered into an unsecured loan agreement in respect of an amount of \$100,018. The funds provided by Captain Peck were used by the Group for working capital. Repayment of the loan is deferred until 30 April 2016, following which the loan will be repayable in monthly instalments of \$10,000. Interest on the outstanding balance of the loan is payable at a rate of 6 per cent. p.a., accruing daily and payable monthly in arrears on each repayment date.

6.4.3 Save as stated above, there are no loans or guarantees provided by any member of the Group for the benefit of any of the Directors nor are there any loans or guarantees provided by any of the Directors for any member of the Group.

6.5 ***Directors' interests in transactions***

Save as disclosed in this document, no Director has or has had any interest in any transaction which is of an unusual nature, contains unusual terms or is significant in relation to the business of the Company and which was effected during the current or immediately preceding financial year or during any earlier financial year and remains in any respect outstanding or unperformed.

6.6 ***Directors' interests in assets***

Save as disclosed in this document, no Director has or has had any interest, whether direct or indirect in any assets which have been acquired by, disposed of by, or leased to, any member of the Group or which are proposed to be acquired by, disposed of by, or leased to, any member of the Group.

6.7 ***Directors' conflicts of interest***

In respect of the Directors, there are no conflicts of interest between any duties they have to the Company and their private interests and/or other duties they may have.

6.8 *Further information concerning the Board*

6.8.1 Other than directorships of companies within the Group, the Directors hold, and have previously held during the five years preceding the date of this document, the following directorships or partnerships:

	<i>Current directorships/ partnerships</i>	<i>Previous directorships/ partnerships</i>
Captain Graham Peck	Graham Peck Aviation Ltd Strategic Aerospace Ltd	HLU Limited (formerly PremiAir Aviation Learning Systems Limited and PremiAir Aerospace Limited) PremiAir Aviation International Limited
Captain Russell Peck	Strategic Aerospace Ltd	CpaT Air LLC CpaT Inc. HLU Limited (formerly PremiAir Aviation Learning Systems Limited and PremiAir Aerospace Limited) PremiAir Aviation International Limited PremiAir Aviation Learning Systems of America Inc.
Robert Salluzzo	Strategic Aerospace Ltd	HLU Limited (formerly PremiAir Aviation Learning Systems Limited and PremiAir Aerospace Limited) Pet Ecology Brands Inc.
Greg Kuenzel	Bull Mining Limited Centurion Mining Limited Centurion Resources GmbH Centurion Universal Limited FinnAust Mining Plc Freeside Limited GMC Investments Limited Greenland Gas & Oil plc Heytesbury Capital Limited Kibe Investments No 1 Limited Komodo Resources Limited Makomo Diamonds LDA Makomo Diamonds Limited Noricum Gold Limited Noricum Gold AT GmbH	Alecto Energy Limited Alecto Holdings International Limited Atlantic Coal PLC Cordillera Resources PLC Strait Oil & Gas (Adjaria) Limited

6.8.2 Save as disclosed below, no Director:

- (i) has any unspent convictions in relation to fraudulent or indictable offences; or
- (ii) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such Director; or
- (iii) has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or

- (iv) has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset: or
- (v) has had any public criticism and/or sanction by statutory or regulatory authorities (including designated professional bodies); or
- (vi) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

7 Lock-in and Orderly Market Agreements

7.1 Directors Lock-in

Pursuant to the Placing Agreement, in accordance with the AIM Rules each of the Directors (and their Related Parties) undertook to the Company, SP Angel and Beaufort not to dispose of any interest in Ordinary Shares (or any interest in Ordinary Shares arising through the exercise of Share Options) which they may have on Admission for 12 months following Admission except in certain restricted circumstances permitted by the AIM Rules, and thereafter, for a further 12 months only to dispose of any interest in Ordinary Shares following consultation with, and through, SP Angel or Beaufort (or the broker at the time if it is not SP Angel or Beaufort).

7.2 Lock-In Agreements

On 7 November 2014, Jonathan Adams and the Related Parties of Bruce Oaster who hold shares in the Company entered into lock-in agreements with the Company, SP Angel and Beaufort pursuant to which they each undertook not to dispose of any interest in Ordinary Shares (or any interest in Ordinary Shares arising through the exercise of Share Options) which they may have on Admission for 12 months following Admission except in certain restricted circumstances permitted by the AIM Rules, and thereafter for a further 12 months only to dispose of any interest in Ordinary Shares following consultation with, and through, SP Angel or Beaufort (or the broker at that time if it is not SP Angel or Beaufort).

7.3 Orderly Market Agreements

On 7 November 2014, the trustees of the Focusplay Retirement Benefit Scheme and the Focusplay Retirement Benefit Scheme 2, Mr Edward Blair, Mr Jonathon Glasscock, Mr John Butler and Ms Daniele Leger each entered into orderly market agreements with the Company, SP Angel and Beaufort pursuant to which they each undertook not to dispose of any interest in Ordinary Shares which they may have on Admission for a period of 6 months following Admission, other than through SP Angel or Beaufort and only in such orderly manner as the Company, SP Angel and/or Beaufort (as the case may be) require in order to maintain an orderly market in the Ordinary Shares.

8 Working Capital

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Group, after taking into account the estimated net proceeds of the Placing, will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

9 Litigation

Neither the Company nor any member of the Group is, nor has at any time in the 12 months immediately preceding the date of this document been, involved in any governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Company or any member of the Group, nor of any such proceedings having been pending or threatened at any time in the 12 months immediately preceding the date of this document, in each case which may have, or have had in the recent past, a significant effect on the Company's or the Group's financial position or profitability.

10 Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company during the two years immediately preceding the date of this document and contain any provision under which any member of the Group has any obligation or entitlement which is material at the date of this document:

10.1 *Share Purchase Agreement*

On 16 July 2014 the Company entered into a share purchase agreement with (1) Captain Russell Peck, (2) Bruce Oaster, (3) Captain Graham Peck, (4) Jonathan E Adams, (5) Robert Salluzzo, (6) Angela Unwin, (7) Fiona Smith and (8) Hinton & Oaster LLC pursuant to which it agreed to acquire the entire issued share capital of SAIL Inc. The purchase price was satisfied by the allotment and issue by the Company of 49,999,999 ordinary shares in the capital of the Company. The agreement contained the warranties in favour of the Company including (but not limited to) confirmation that the sale shares represent the entire issued share capital of SAIL Inc, free from encumbrances.

10.2 *Intellectual Property Assignment Agreement*

On 16 July 2014 the Company, Captain Russell Peck, HLU Limited (previously known as PremiAir Aviation Learning Systems Limited and PremiAir Aerospace Limited) (“HLU”) and PremiAir Aviation Learning Systems of America Inc (“PALSA”) entered into an intellectual property assignment agreement pursuant to which the Company acquired all the intellectual property rights in AIMS. The purchase price was satisfied by the allotment and issue by the Company to Captain Russell Peck of 2,500,000 ordinary shares in the capital of the Company.

10.3 *Letter of Engagement with Northland Capital Partners LLP*

On 15 September 2014, the Company and Northland Capital Partners LLP entered into an engagement letter confirming the terms upon which Northland provided corporate finance services to the Company, including advice on strategic and public market matters, timing of a possible initial public offer, advice on board structure and general strategy. The Company paid Northland a fee of £20,000 for the advice.

10.4 *Letter of engagement with The Enduro Partnership Limited*

On 11 December 2013 SAIL Ltd and the Enduro Partnership Limited (“Enduro”) entered into an agreement to which Enduro was appointed to assist in securing debt or equity funding for the Group and to provide management support and assistance in respect of Admission. Under the terms of the engagement letter, the Group is to pay a commission chargeable at a rate of 2.5 per cent. of total quantum of equity investment/loans introduced by Enduro or its agents and a monthly management fee of £5,000. As at the date of this document fees of £18,000 have been paid. In addition, a success fee conditional on Admission is payable in the amount of £25,000. Following Admission, the Group may elect to engage Enduro for ongoing management assistance for a monthly fee. If engaged following Admission the agreement may be terminated by either party on three months’ notice.

10.5 *Letter of engagement with Beaufort*

On 14 October 2014 the Company and Beaufort entered into an agreement pursuant to which the Company appointed Beaufort as placing agent and joint broker to assist the Company in respect of the Placing and on an ongoing basis with fund raising activities. The term of Beaufort’s engagement as placing agent for the Placing is for a 6 month period, terminable by either party on one month prior written notice. The term of their engagement as joint broker is 12 months, commencing from Admission, terminable on three months’ notice at the expiry of the initial 12 month term. In addition to the fees and commissions due to Beaufort as set out in the Placing Agreement, the Company agreed to pay Beaufort an annual corporate broker retainer fee of £20,000, payable in cash or Ordinary Shares. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations.

10.6 *Nominated Adviser and Joint Broker Agreement*

The Company has engaged SP Angel as financial adviser, nominated adviser and joint broker to assist the Company in respect of Admission and on an ongoing basis as required by the AIM Rules. The Company engaged SP Angel by way of the assignment of an agreement between Strategic Aerospace Limited and SP Angel dated 17 July 2014. The agreement was further varied on 17 October 2014. The agreement contains indemnities and warranties given by the Company to SP Angel. Under this agreement, SP Angel will receive from the Company a corporate finance fee, conditional on Admission and a fee per annum for retaining its services as nominated adviser and joint broker. These arrangements contain certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. These arrangements continue for an initial period of 6 months unless terminated for reason prior to such date in accordance with the terms of the agreement and thereafter until terminated in accordance with the terms thereof.

10.7 *Placing Agreement*

On 7 November 2014 (1) the Company, (2) the Directors, (3) SP Angel and (4) Beaufort entered into the Placing Agreement, pursuant to which Beaufort, subject to certain conditions, including Admission taking place on or before 30 November 2014 (or such later date as the Company, SP Angel and Beaufort may agree), have agreed to use reasonable endeavours to procure placees and SP Angel agreed to complete the Company's application for Admission. Under the Placing Agreement, the Company agree to:

- (a) *pay to SP Angel*
 - (i) a corporate finance fee of £155,000 (plus VAT), payable on Admission, less the elements of the fee that have been invoiced to the Company or any Group company and payment having been received by in full by SP Angel in accordance with their engagement letter (as novated and amended); and
 - (ii) a commission of 1 per cent. on the aggregate value at the Placing Price of the Placing Shares subscribed by Placees.
- (b) *pay to Beaufort*
 - (i) a commission charged at a rate of 5 per cent. on the aggregate value at the Placing Price of the Placing Shares subscribed by Placees procured by Beaufort.

The Company has agreed to pay all other costs and expenses relating to the application for Admission. The Placing Agreement contains certain warranties given by the Directors and the Company, and indemnities given by the Company and the Directors in favour of SP Angel and Beaufort. It also contains provisions entitling SP Angel and Beaufort to terminate the agreement prior to Admission if, among other things, a breach of any of the warranties occurs or on the occurrence of an event fundamentally and adversely affecting the position of the Company. The liability of the Company under the warranties and indemnities is not subject to a financial limit, but the liability of each of the Directors is subject to maximum financial limits.

10.8 *SP Angel Warrant Deed*

Pursuant to a deed of warrant between the Company and SP Angel dated 7 November 2014, the Company granted SP Angel a warrant to subscribe for such number of new Ordinary Shares as is equal to 0.16 per cent. of the enlarged issued capital of the Company on completion of the Placing, as may be varied and/or adjusted from time to time, at an exercise price of 8 pence per share exercisable for a period of 5 years from Admission.

10.9 *Beaufort Warrant Deed*

Pursuant to a deed of warrant between the Company and Beaufort dated 7 November 2014, the Company granted Beaufort a warrant to subscribe for such number of new Ordinary Shares as is equal to 5 per cent. of the Placing Shares procured by Beaufort on completion of the Placing, as may be varied and/or adjusted from time to time, at an exercise price of 8 pence per share exercisable for a period of 5 years from Admission.

10.10 *Relationship Deed*

The Company, Captain Russell Peck (the “Controlling Shareholder”), SP Angel and Beaufort have entered into a relationship deed dated 7 November 2014, pursuant to which the Controlling Shareholder agrees any transactions between the Controlling Shareholder and the Company will be on arm’s length terms and approved by the majority of the Directors who are independent according to the QCA Guidelines (the “Independent Directors”). The Controlling Shareholder agrees that, unless the Independent Directors agree otherwise, he shall not act in a way that compromises the Group from caring on its business independently of the Controlling Shareholder, will exercise any voting rights to ensure the provisions of this agreement are observed and that the Articles are not altered in any way that would compromise the Company’s ability to carry on its business independently of the Controlling Shareholder and that the Controlling Shareholder will abstain from voting in any general meeting of the Company on any resolution concerning any transaction between the Company and the Controlling Shareholder or involving a conflict of interest between the Company and the Controlling Shareholder. The agreement shall be in effect for so long as the Controlling Shareholder holds at least 25 per cent. of the issued share capital of the Company.

10.11 *Northrop Grumman Co-operative Agreement*

On 8 June 2014, SAIL Inc and Northrop Grumman Technical Services, Inc (“Northrop Grumman”) entered into a collaboration agreement pursuant to which Northrop Grumman and SAIL Inc agreed to work together to share their capabilities, resource and expertise to develop and deliver training utilising the Northrop Grumman SandShark™ remotely piloted aircraft. The term of the agreement is 5 years, unless the parties agree in writing to extend the term.

The parties have agreed inclusive, but not exclusive target customer lists in which one party shall act as “Prime Contractor” and lead on procuring the award of the contract with such customer. The other party will act as “Secondary Contractor” on such customer contracts. Remuneration for customer contracts shall be allocated between the parties according to their primary or secondary role. The non-exclusive target customer list in which SAIL Inc shall act as “Prime Contractor” includes civilian first response entities, civilian universities, colleges or technical schools and customers based within the United Arab Emirates.

As opportunities are developed, the parties agreed to negotiate in good faith subsequent “Teaming Agreements” to further define each party’s roles and responsibilities with regard the each specific customer contract. The obligations of SAIL Inc to be set out in each subsequent “Teaming Agreement” shall include (but not be limited to) arranging access and securing appropriate airfields and airport supervision; operating and maintaining Northrop Grumman SandShark™ aircraft in accordance with Northrop Grumman technical procedures and with applicable FAA operating limits and COA restrictions; maintaining adequate insurance; and managing all regulatory compliance and reporting of incidents, accidents, aircraft damage or deviation from the FAA rules for unmanned aircraft.

10.12 *Matrix International Security Training and Intelligence Centre (“MISTIC”) Teaming Agreement*

On 22 April 2014, SAIL Inc and MISTIC entered into a collaboration agreement pursuant to which MISTIC and SAIL Inc agreed to work together to provide training and educational programs in UAS operations with the objective of preparing students to enter into the UAS market as qualified and competent pilots. The agreement provides that SAIL Inc will have the overall responsibility of the preparation, content, evaluation and delivery of programs to students, including the provision of UAS pilot training services, delivery of approved syllabus, supply of UAS for the fulfilment of training missions and activates, supply of instruction and support personnel, and ensure proper equipment, procedure and trained personnel are available.

MISTIC agreed to supply SAIL Inc support services including classrooms, office space, simulator rooms, land use, transportation and other equipment and qualified support personnel. The agreement provides that MISTIC will allow UAS flight operations on MISTIC property as may be specified by FAA authorisations.

The agreement provides that the parties will outline services in “statement of work” pertaining to an identified project or customer initiative. Compensation payable to each party will be based on “fees for services rendered”, such fees to be determined by the cost of a project plus a reasonable and generally accepted profit margin.

The agreement is for a term of two years, unless terminated earlier by either party on 45 days prior written notice, unless either party is in material breach of the agreement or other circumstances arise that frustrate the purpose of the agreement.

10.13 ***Eastern New Mexico University-Roswell (“ENMUR”) Teaming Agreement***

On 13 June 2014, SAIL Inc and ENMUR entered into a teaming agreement pursuant to which the parties set forth the structure of a working relationship to develop an on-going training and educational program in UAS operations leading to an associates’ degree in aerospace science and/or certification as a UAS rotor and/or fixed wing pilot.

In addition to assisting in the development of the educational programme, services to be provided by SAIL Inc include UAS pilot training and instructions; providing, maintaining, insuring and generally being liable and responsible for vehicles, aircraft, equipment and supplies necessary to conduct the training missions and flight activities; and assisting ENMUR in working by or through the City of Roswell, City of Artesia, the Roswell International Air Centre, and other governmental authorities or entities (together known as the “Roswell Coalition”). ENMUR will pay SAIL Inc for the provision of UAS vehicles, aircraft, equipment and supplies on a “fee for services” basis to be determined on the basis of cost plus a reasonable mark-up.

ENMUR agreed to prepare and submit to SAIL Inc such data as SAIL Inc may require to perform its obligations under the agreement. In addition, ENMUR shall provide personnel and services, including, without limitation, office space, classroom space, video technology, web-based instruction via ENMUR’s “Blackboard” software, student enrolment and administration and instructions for elements of the programme other than pilot training and flight operations. ENMUR will also work by or through the “Roswell Coalition” and/or MISTIC to obtain and maintain COA for each UAS or aircraft used in the programme cooperate as is reasonably necessary to obtain community support for UAS flight operations, endeavour to enter into “articulation agreements” with other accredited academic institutions of high learning to provide pilot training and pathways for the transfer of student credits.

The parties agreed to exchange and/or be granted access to the other party’s technical, financial and business data, subject to certain disclosure provisions to protect against the wrongful use or disclosure of proprietary information.

10.14 ***Technical Services Agreement with National Renewable Energy Laboratory (“NREL”)***

On 24 June 2014 SAIL Inc entered into a technical services agreement with the NREL pursuant to which NREL agrees to assist SAIL Inc develop UAS systems for the purpose of safety inspection and safety of wind turbines used in the renewable energy industry.

NREL agreed to provide technical input to the development of UAS for field inspections of wind turbines and provide access to, and allow demonstrations at, the Nation Wind Technology Centre, USA. In addition NREL will provide topical expert information on wind turbine systems including current practices and technologies used for inspections and sensing systems used in the industry.

SAIL Inc agreed to provide all hardware for the project, including UAS vehicles, equipment and support devices and to meet the NREL’s funding costs of \$32,896 in respect of the research project.

The agreement is for a period of 12 months.

10.15 ***Emirates Consultancy Group Service Contract***

On 20 January, 2014, Emirates Consultancy Group (“ECG”) and SAIL Ltd entered into a service contract pursuant to which SAIL Ltd was retained to provide consultancy services to ECG in respect of the formation of “Air Fujairah”, a low cost airline carrier in Fujairah, UAE. The contract envisages two phases. Phase 1 consists of an initial market study designed to identify and outline

the key elements required to successfully structure and plan the formation of the airline and phase 2 involves the provision of consultancy services on matters related to the formation of the airline, including (but not limited to) landing rights, route authorities, fuelling, catering and ground service contracts, flight operations, crew training, flight paths, communications and IT. Services excluded from the contract include sales and marketing, reservation systems, crew scheduling, check-in operations and gate crews. The initial fee payable to SAIL Ltd for phase 1 is US\$150,000. The phase 2 fee will be 10 per cent. of the overall cost of the airline set-up. Such fees will be invoiced by SAIL Ltd monthly. The phase 1 fees will be deducted from the phase 2 fees. Of all phase 2 fees paid to SAIL Ltd, 10 per cent. will be deducted and repaid to ECG until such time as the phase 1 fee has been reimbursed. The agreement may be terminated at any time without liability upon thirty days written notice by either party or immediately on a material breach by the non-defaulting party. Any intellectual property created or attributable to the work and/or services rendered by SAIL Ltd under the agreement is assignable to ECG and SAIL Ltd shall not be permitted to use such intellectual property without express written consent.

11 Related Party Transactions

- 11.1 On 7 November 2014, the Company entered into an agreement for services with Heytesbury Corporate LLP, a limited liability partnership of which Gregory Kuenzel is a beneficiary member, for the provision of administrative, corporate, financial and general office services with effect from Admission. The initial term of this appointment is 12 months from Admission after which the agreement may be terminated on 3 months' written notice by either party or if a party fails to rectify a material breach, when notice is given, or insolvency proceedings are commenced to wind up either party or if there is a change of control of Heytesbury Corporate LLP. The Company will pay Heytesbury Corporate LLP a monthly fee of £2,000 plus VAT and any reasonable disbursements properly incurred by it in the proper performance of the services.
- 11.2 On 14 August 2014, the Directors and Jonathan Adams participated in a private subscription for shares in the Company pursuant to which 3,524,178 ordinary shares of £0.01 each were issued at a price of £0.06 each. The subscription funds were paid for by way of the conversion of accrued salaries owing to the Directors and Jonathan Adams in the aggregate amount of \$340,435.67 (£211,451).
- 11.3 Save as disclosed above and set out in Part III and paragraph 6.4 of this Part VI there are no related party transactions that the Group has entered into during the period covered by the historical financial information set out in Parts III and IV up to the date of this document.

12 General

- 12.1 The accounting reference date of the Company is 31 December.
- 12.2 PKF Littlejohn LLP has given and not withdrawn its written consent to the inclusion in this document of its reports as set out in Section A of Part III and Sections A and C of Part IV of this document and to the issue of this document with the inclusion of its name and the references to its name in the form and context in which it appears. PKF Littlejohn LLP is a member of the Institute of Chartered Accountants in England and Wales.
- 12.3 SP Angel has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to its name in the form and context in which it appears. SP Angel, which is authorised and regulated by the Financial Conduct Authority, has its registered office at Prince Frederick House, 35-39 Maddox Street, London W1S 2PP.
- 12.4 Beaufort has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to its name in the form and context in which it appears. Beaufort, which is authorised and regulated by the Financial Conduct Authority, has its registered office at 131 Finsbury Pavement, London EC2A 1NT.

- 12.5 The estimated amount of the expenses of the Placing and Admission, including registration and London Stock Exchange fees, printing, advertising and distribution costs, legal and accounting fees and expenses, which are all payable by the Company is £0.35 million exclusive of VAT.
- 12.6 The net proceeds of the Placing are estimated at approximately £0.3 million.
- 12.7 The Placing Price of 8 pence represents a premium of 7 pence to the 1 pence nominal value of an Ordinary Share. Following the issue of the Placing Shares, holders of Existing Ordinary Shares will incur a dilution of approximately 10.6 per cent. of their interest in the Company as a result of the Placing.
- 12.8 The financial information contained in this document does not constitute full statutory accounts as referred to in section 240 of the Act. No further statements or accounts have been prepared nor delivered to the Registrar of Companies for the Company.
- 12.9 There has been no significant change in the financial or trading position of the Company or the Group since 16 July 2014 and 30 June 2014, being the respective dates on which the reports contained in Parts III and IV of this document were made up.
- 12.10 Save in connection with the application for Admission, none of the Existing Ordinary Shares and/or the Placing Shares have been admitted to dealings on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in such shares on any such exchange.
- 12.11 Save as disclosed in this document no person (other than the professional advisers referred to in this document and trade suppliers) has received, directly or indirectly, from the Company within 12 months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Placing Price, or any other benefit with a value of £10,000 or more at the date of Admission.
- 12.12 Save as disclosed in this document, there are no Group investments in progress which are or may be significant.
- 12.13 Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the placing letters issued by Beaufort until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 30 November 2014 application monies will be returned to applicants at their risk without interest.
- 12.14 The Ordinary Shares have not been sold, nor are they available, in whole or in part, to the public in conjunction with the application for Admission.
- 12.15 Save as disclosed in this document, no payment (including commissions) discounts, brokerages or other special terms have been or are to be paid or given to any promoter of the Company or granted in connection with the issue or sale of any share or loan capital of the Company.
- 12.16 There are no arrangements in place under which further dividends are to be waived or agreed to be waived.
- 12.17 Where information in this document has been sourced from a third party this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

13 Documents for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Kerman & Co LLP, 200 Strand, London WC2R 1DJ from the date of this document until one month from the date of Admission and will also be available on the Company's website www.strat-aero.com:

- a) the Articles of the Company; and
- b) the financial information of the Group referred to in Parts III and IV of this document.

14 Availability of Admission Document

Copies of this document are available during normal business hours on any weekday (Saturdays and public holidays excepted) free of charge from the Company's registered office, at the office of SP Angel Corporate Finance LLP for a period of one month after Admission and may also be downloaded from the Company's website.

7 November 2014

